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VIA FEDEX: 791107546257

Commissioner for Trademarks
2900 Crystal Drive
Alexandria, Virginia 22313-1451

Re: REQUEST FOR SUSPENSION OF OPPOSITION PROCEEDING PENDING
RESOLUTION OF POTENTIALLY DISPOSITIVE DISTRICT COURT MOTION TO
ENFORCE SETTLEMENT
Serial No.: 78/314,247
Opposition No. 91163260
Opposer: The Coca-Cola Company
Applicant: Kaveh Harounian
File No.: 01638.0032.000000

Mark:



Dear Madam:

06-22-2005

U.S. Patent & TMOs/TM Mail Rcpt Dt. #11

Enclosed for filing are:

1. This letter (in duplicate);
2. REQUEST FOR SUSPENSION OF OPPOSITION PROCEEDING PENDING
RESOLUTION OF POTENTIALLY DISPOSITIVE DISTRICT COURT
MOTION TO ENFORCE SETTLEMENT (2 extra copies); and
3. A self-addressed stamped postcard to evidence receipt.

The Commissioner for Trademarks is hereby authorized to draw on the deposit account
No. 08-3038, Order No. 01638.0032.000000/Buccino/INLF:371 for any necessary fees.

Please return the enclosed postcard to evidence receipt of the above-mentioned papers.

Very truly yours,

A handwritten signature in cursive script that reads "Lisa S. Buccino".
Lisa S. Buccino

Enclosure

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

THE COCA-COLA COMPANY,

Opposer

v.

KAVEH HAROUNIAN,

Applicant

§ Opposition No. 91163260

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Serial No. 78/314,247

Mark:



06-22-2005

U.S. Patent & TMO/c/TM Mail Rcpt Dt. #11

**REQUEST FOR SUSPENSION OF OPPOSITION PROCEEDING PENDING
RESOLUTION OF POTENTIALLY DISPOSITIVE DISTRICT COURT MOTION TO
ENFORCE SETTLEMENT**

Opposer, The Coca-Cola Company ("TCCC"), through its undersigned attorneys, hereby moves the Board pursuant to Rule 117 of the Trademark Rules of Practice, 37 CFR § 2.117, to suspend this opposition proceeding pending resolution of TCCC's motion to enforce settlement in the Central District of California, Case No. CV 03-8219 LGB (SHx). There is good cause to grant the suspension because if TCCC's District Court motion to enforce settlement is granted, this TTAB opposition proceeding will be fully resolved and terminated. In the event TCCC's motion to enforce settlement is denied, then either party to this proceeding should be permitted to file a request that the Board reset all discovery and testimony dates.

BACKGROUND

On November 12, 2003, Applicant, Kaveh Harounian ("Harounian") commenced a civil action against TCCC in the United States District Court for the Central District of California,

alleging *inter alia*, that TCCC is infringing Harounian's alleged rights in the above captioned design mark (hereinafter the "'247 Design") and Harounian's Registration No. 2,204,667 (the "'667 Vice and Design Registration").

Subsequently, TCCC filed two actions in the TTAB. First, on November 24, 2003, TCCC filed a petition to cancel Harounian's '667 Vice and Design Registration on the grounds that Harounian fraudulently represented to the Trademark Office in his application that he had first used the Vice and Design trademark in interstate commerce on September 1, 1994 on a variety of apparel items in International Class 25. (Cancellation No. 92042841) TCCC's cancellation petition also alleged that the '667 Vice and Design Registration had not been in use as of September 26, 1994 or March 29, 1995 on all the goods identified in Harounian's application. The Cancellation action was suspended on April 7, 2005 pending the outcome of the California District Court litigation.

In addition, TCCC also filed this Opposition on the basis that Harounian made false statements in the '247 application regarding his scope of use of the '247 Design mark, and that any alleged use of the mark occurred *after* TCCC adopted and began using a design mark on its POWERADE beverage (subject of U.S. Reg. No. 2,637,060).

On April 12, 2005, the District Court issued a tentative summary judgment ruling that Harounian had committed fraud in his application to register the Vice and Design trademark, and that Registration No. 2,204,667 would be cancelled. (Exhibit 1) The next day, on April 13, 2005, TCCC and Harounian negotiated and reached a confidential Settlement Agreement resolving their disputes in both the litigation and the TTAB proceedings, and requested the Court not to issue a final ruling on the summary judgment motion. On April 14, 2005, the parties' filed a Notice of Settlement with the District Court confirming that they had reached a settlement. (Exhibit 2) Thereafter, TCCC and Harounian worked on the formal documentation of the

settlement. On May 18, 2005, two days after the formal settlement documentation was approved and circulated for signature, the District Court Clerk unexpectedly filed the Court's ruling on the motion for summary judgment. (Exhibit 3) The final ruling departed from the tentative order in one respect: the Court found that TCCC had presented clear and convincing evidence of Harounian's fraud on the Trademark Office, but that there was an issue for trial based upon Harounian's single deposition answer claiming he had used the mark on all fifty of the goods recited in his application.

Following the unexpected ruling on the motion for summary judgment, Harounian refused to sign the formal documentation of the settlement reached on April 13th. As a result, TCCC has been forced to file a motion to enforce the settlement agreement. The motion to enforce is being filed concurrently with this motion to suspend. TCCC's motion to enforce will most likely be heard some time in late July or August 2005 after the parties have completed their briefing and a new district court judge has been assigned to the matter.¹ In any case, the motion to enforce will not be decided until long after the present deadline for completing discovery in this proceeding – June 24, 2005.

If TCCC's motion to enforce the settlement is granted, TCCC's cancellation and opposition actions will be fully resolved and no further proceedings will be necessary. Because the parties' efforts have been, and continue to be focused on the global settlement reached in the District Court action, it would be judicially and economically prudent for the Opposition to be suspended pending the outcome of the TCCC's motion to enforce.

ARGUMENT

Rule 117(a) of the Trademark Rules of Practice provides:

¹ The judge formerly presiding over the district court litigation has since retired. Thus, the district court has informed TCCC that it will assign a new judge to the matter and set a hearing date after TCCC files its motion.

Whenever it shall come to the attention of the Trademark Trial and Appeal Board that a party or parties to a pending case are engaged in a civil action or another Board proceeding which may have a bearing on the case, proceedings before the Board may be suspended until termination of the civil action or the other Board proceeding.

Subsection (c) further provides that:

Proceedings may also be suspended, for good cause, upon motion or a stipulation of the parties approved by the Board.

37 C.F.R. § 2.117 (a), (c).

Under either of these two sections, the present opposition proceeding should be suspended. The parties have been engaged in litigation before the U.S. District Court in the Central District of California since November 12, 2003. On April 13, 2005, the parties reached an enforceable settlement agreement that fully resolves the District Court action and the two TTAB proceedings between parties concerning Harounian's '247 Application and '667 Registration. If the District Court enforces the settlement agreement, the TTAB actions will be terminated. There is good cause to suspend this proceeding because the pending motion to enforce the settlement is potentially dispositive of this administrative action. Moreover, since the motion to enforce will not be resolved until long after discovery closes in this proceeding, it would be prejudicial and wasteful to require TCCC to conduct unnecessary discovery at this juncture. TCCC has not taken any discovery in this proceeding to date because it relied on the fact that the parties had reached a settlement on April 13th.

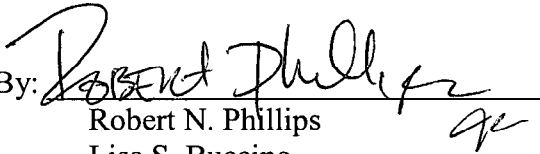
CONCLUSION

TCCC requests the Board to order this proceeding suspended pending resolution of TCCC's motion to enforce settlement, and that the parties are to report back to the Board on the status of this proceeding, including whether it is necessary to reset the deposition and testimony dates, following the District Court's ruling on the motion to enforce settlement.

Respectfully submitted,

THE COCA-COLA COMPANY

Date: June 16, 2005

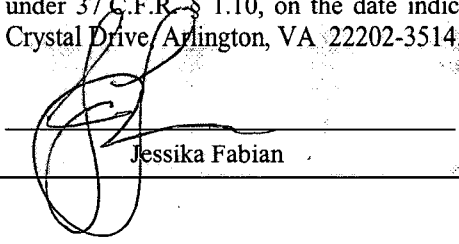
By: 
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CERTIFICATE OF FEDERAL EXPRESS

NUMBER: 791107546257

DATE OF DEPOSIT: June 16, 2005

I hereby certify that this paper is being deposited with the United States Postal Service "Federal Express" service, under 37 C.F.R. § 1.10, on the date indicated above, and is addressed to the Commissioner for Trademarks, 2900 Crystal Drive, Arlington, VA 22202-3514.



Jessica Fabian

EXHIBIT 1

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6
7 UNITED STATES DISTRICT COURT
8 CENTRAL DISTRICT OF CALIFORNIA
9

10
11 Kaveh Harounian,
12
13 Plaintiff,

14 v.

15
16 The Coca-Cola Co.,
17 Defendant.

CV 03-8219 LGB (SHx)

Tentative
ORDER GRANTING IN PART AND
DENYING IN PART CROSS-
MOTIONS FOR SUMMARY
JUDGMENT

18 I. INTRODUCTION

19 Plaintiffs, Kaveh Harounian ("Harounian") and his
20 Corporation Union Outlet, Inc. ("Union Outlet") allege that the
21 logo for Coca-Cola Company's ("Coca-Cola") PowerAde beverage
22 infringes on Harounian's intellectual property rights.
23 Plaintiffs brought this suit alleging copyright infringement,
24 trademark infringement, and related claims. Coca-Cola brought
25 counter-claims for copyright infringement and for cancellation of
26 state and federal trademark registrations against Harounian and
27 Union Outlet. Coca-Cola now brings three separate motions for
28

1 summary judgment. The first is for summary judgment on
2 Plaintiffs' copyright infringement claim, the second is for
3 summary judgment on all claims based on Coca-Cola's affirmative
4 defenses of unclean hands and laches, and the third is for
5 summary judgment on Harounian's trademark claims. Harounian and
6 Union Outlet bring a motion for summary judgment on Coca-Cola's
7 claims to cancel Harounian's trademark registrations and
8 copyright infringement.
9

10 **II. FACTUAL AND PROCEDURAL BACKGROUND**

11 The following facts are not in dispute unless so noted.
12 Harounian owns and operates Union Outlet, a clothing store in the
13 Los Angeles garment district that has been in operation under
14 that name since 1996. Harounian incorporated Union Outlet in
15 January, 2004. Although Coca-Cola disputes this fact, Harounian
16 claims to have used a mark he refers to as the Vice logo on his
17 clothing in the United States since at least September 1, 1994.
18 The Vice logo includes the word Vice over a design. Harounian
19 has used the just the design portion of the logo and the design
20 portion with the word "Vice". (Smith Decl. 1, Exhibits 3-4 pages
21 62-65.) Harounian also uses the Vice logo in different versions,
22 referred to as the distressed version and the streamlined
23 version. See Id., Exhibit 4 at 63 (left version is distressed,
24 right version is streamlined or new version); Plaintiffs'
25 statement of Uncontroverted Facts, #19 (describing which version
26 is which).
27

28 On September 26, 1994 Harounian filed an application with

1 the United States Patent and Trademark Office ("PTO") for a
2 trademark on the distressed version of the Vice logo. Id.
3 Exhibit 5, p. 66. On November 24, 1998 the PTO registered this
4 mark under United States Registration No. 2,204,667 ("the '667
5 Registration"). Id. Exhibit 6. Harounian's application claimed
6 actual use of the Vice logo on 50 goods including shirts,
7 topcoats, raincoats, denim jackets, gowns, bathrobes, tuxedos,
8 blousons, stockings, earmuffs, and bathing suits in interstate
9 commerce. Id. Exhibit 5, p. 66.

10 Coca-Cola sells a beverage called PowerAde. In 2000 Coca-
11 Cola developed a strategy to relaunch PowerAde. (Phillips Dec.
12 Exhibit A.) As part of its re-launch it hired Spring Design
13 Partners ("Spring Design") to design a new label for the
14 beverage. Id. Preston Depo. 44. Coca-Cola selected to use
15 Spring Design's proposal of the P Icon as a logo for its drink
16 (hereinafter "PowerAde logo"). Id. Preston Depo. 44, 50. On
17 April 26, 2001 Coca-Cola filed an application for trademark
18 registration of its PowerAde logo with the PTO. Id. Exhibit N.

19 The design portion of the streamlined Vice logo and the
20 PowerAde Logo are nearly identical. (Smith Decl. 2, Ex 29, pp
21 1821-38.) In August 2001 Coca-Cola received a letter from
22 Harounian's counsel objecting to Coca-Cola's use of the PowerAde
23 Logo as infringing Harounian's property rights. (Phillips Decl.,
24 Exhibit D-21.) On November 12, 2003 Plaintiffs brought this
25 action.
26

27 Harounian filed a combined affidavit of continued use and
28

1 incontestability with the PTO for his trademark on November 24,
2 2003. (Smith Decl. 1, Exhibit 7.) The exhibit attached to this
3 affidavit shows the streamlined Vice logo. Id. at 75. Harounian
4 registered the streamlined Vice logo without the word Vice over
5 the logo as a trademark with the California Secretary of State on
6 October 24, 2003 (Smith Decl. Exhibit 8) and registered his
7 streamlined logo without the word Vice over it as a copyright
8 with the United States Copyright Office with an effective date of
9 November 20, 2003. Id. Exhibit 10. Coca-cola registered its
10 PowerAde logo with the United States Copyright Office with an
11 effective date of May 17, 2004. (Phillips Decl. Exhibit H.)

12
13 Plaintiffs filed the second amended complaint ("2A
14 Complaint") on October 15, 2004. The 2A Complaint alleges (1)
15 copyright infringement under 17 U.S.C. § 501; (2) trademark
16 infringement and false designation of origin under 15 U.S.C. §
17 1125(a); (3) trademark infringement under Cal. Bus. & Prof. Code
18 §§ 14320 and 14340; (4) unfair competition under Cal. Bus. &
19 Prof. Code §§ 17200 et seq.; (5) common law trademark
20 infringement and unfair competition; and (6) unjust enrichment
21 and constructive trust. On October 15, 2004 Coca-Cola filed a
22 first amended counterclaim ("1A Counterclaim") against Harounian
23 and Union Outlet. The 1A Counterclaim asserts affirmative
24 defenses including fraud, abandonment, unclean hands, laches, and
25 estoppel. The 1A Counterclaim also brings claims against
26 Harounian and Union Outlet for (1) cancellation of Harounian's
27 federal trademark for the mark "Vice and Vice Logo", (2)
28

1 cancellation of Harounian's California trademark Registration for
2 the "Vice Logo" under Cal. Bus. & Prof. Code § 14281; and (3)
3 Copyright infringement under 17 U.S.C. § 501 based on use of the
4 Vice Logo.

5 On February 14, 2005 Harounian and Union Outlet, Inc. filed
6 a motion for summary judgment on Coca-Cola's claims to cancel
7 Harounian's trademark registration under both state and federal
8 law. On the same day Coca-Cola filed three motions for summary
9 judgment. Coca-Cola's first motion argues that Plaintiffs cannot
10 succeed on claims for copyright infringement. Coca-Cola's second
11 motion argues it is entitled to summary judgment on all of
12 Harounian's claims on the affirmative defenses of unclean hands
13 and laches. Coca-Cola's third motion argues that Harounian's
14 trademark claims must fail because his trademarks are invalid and
15 that it must prevail on its claim to cancel Harounian's trademark
16 registration. All motions were fully briefed. The Court
17 considers these related motions in this Order.

18 19 **III. LEGAL STANDARD**

20 Rule 56 of the Federal Rules of Civil Procedure provides
21 that a court shall grant a motion for summary judgment if "the
22 pleadings, depositions, answers to interrogatories, and
23 admissions on file, together with the affidavits, if any, show
24 that there is no genuine issue as to any material fact and that
25 the moving party is entitled to judgment as a matter of law."
26 Fed. R. Civ. P. 56(c). Material facts are those that may affect
27 the outcome of the case. Anderson v. Liberty Lobby, Inc., 477
28

1 U.S. 242, 248 (1986). A dispute as to a material fact is genuine
2 if there is sufficient evidence for a reasonable jury to return a
3 verdict for the nonmoving party. Id.

4 The party moving for summary judgment bears the initial
5 burden of informing the district court of the basis of the
6 summary judgment motion and of demonstrating the absence of a
7 genuine issue of material fact for trial. Celotex Corp. v.
8 Catrett, 477 U.S. 317, 323 (1986); Katz v. Children's Hosp. of
9 Orange County, 28 F.3d 1520, 1534 (9th Cir. 1994). On an issue
10 for which the non-moving party has the burden of proof at trial,
11 the moving party need only point out "that there is an absence of
12 evidence to support the non-moving party's case." Celotex, 477
13 U.S. at 325.
14

15 Once this initial burden is satisfied, the non-moving party
16 must "go beyond the pleadings and by her own affidavits, or by
17 the depositions, answers to interrogatories, and admissions on
18 file, designate 'specific facts' showing that there is a genuine
19 issue for trial." Celotex, 477 U.S. at 324 (internal quotations
20 omitted); see also Nilsson, Robbins, Dalgarn, Berliner, Carson &
21 Wurst v. Louisiana Hydrolec, 854 F.2d 1538, 1544 (9th Cir. 1988).
22 Where the standard of proof at trial is preponderance of the
23 evidence, the non-moving party's evidence must be such that a
24 "fair-minded jury could return a verdict for the [non-moving
25 party] on the evidence presented." Anderson, 477 U.S. at 252.
26

27 The Court views all facts and draws all inferences therefrom
28 in the light most favorable to the non-moving party. United
States v. Diebold, Inc., 369 U.S. 654, 655 (1962). The Court must

1 accept the plaintiff's view of all material disputed facts.

2 LaLonde v. County of Riverside, 204 F.3d 947, 954 (9th Cir.

3 2000). If, however, the nonmoving party's evidence is "merely
4 colorable" or "not significantly probative," summary judgment may
5 be granted. Anderson, 477 U.S. at 249-50.

6 **IV. ANALYSIS**

7 A. Coca-Cola's First Motion (Harounian's Claim for
8 Copyright Infringement)

9 In order to establish copyright infringement, two elements
10 must be shown: (1) ownership of a valid copyright; and (2)
11 copying of constituent elements of the work that are original.
12 Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340,
13 361 (1991). Plaintiff may show copying by establishing that
14 defendant (1) had access to the plaintiff's work and (2) that the
15 two works are substantially similar in their protected elements.
16 Rice v. Fox Broadcasting Company, 330 F.3d 1170, 1174 (9th Cir.
17 2003). Absent evidence of access, a "striking similarity"
18 between the works may give rise to a permissive inference of
19 copying. Baxter v. MCA, Inc., 812 F.2d 421, 424 n2 (9th Cir.
20 1987). The defendant may rebut the presumption of copying with
21 proof of independent creation. Three Boys v. Bolton, 212 F.3d
22 477, 486 (9th Cir. 2000).

24 For purposes of this motion for Summary Judgment as to its
25 claim for Copyright infringement only, Coca-Cola does not dispute
26 that Harounian owns a valid copyright and that the parties'
27 respective works are substantially similar.¹ (Coca-Cola Motion
28

¹Since Coca-Cola does not contest the validity of Harounian's federal copyright, the

1 1, at 9 n8.) Coca-Cola alleges that Harounian cannot show that
2 Coca-Cola had access to Harounian's work during the relevant time
3 and that he cannot show a genuine issue regarding the independent
4 creation of the PowerAde logo.

5 1. Access

6 To determine access, courts consider whether the person who
7 created the allegedly infringing work had a reasonable
8 opportunity to view the copyrighted work. Three Boys Music Corp.
9 v. Bolton, 212 F.3d 477, 482 (9th Cir. 2000). A bare possibility
10 will not suffice; neither will a finding of access based on
11 speculation or conjecture. Id. Circumstantial evidence of
12 reasonable access may be proved where the plaintiff's work has
13 been widely disseminated. Id.

14
15 Harounian designates two sets of facts to establish access
16 of its Vice logo: (1) the sales of merchandise carrying the Vice
17 logo between 1996 and 2001 were substantial and broad and (2)
18 Plaintiffs' advertising and website effectuated the wide
19 dissemination of its Vice logo. (Opposition to Coca-Cola Motion
20 1, at 14).

21 a. Sales

22 Whether a particular level of sales constitutes wide
23 dissemination is a fact specific determination. Compare Rice v.
24 Fox Broadcasting Co., 330 F.3d 1170, 1178 (9th Cir. 2003)
25 (finding that 17,000 copies of a video sold within a span of
26 _____
27 version of the Vice logo shown in the copyright application (Phillips Decl. Exhibit I) which
28 shows the streamlined design without the word Vice above it, is the mark at issue in this
discussion.

1 thirteen years cannot be considered widely disseminated) and
2 Jason v. Fonda, 526 F.Supp. 774, 776-777 (C.D. Cal. 1981)
3 (finding that 200-700 copies of a book available at various
4 booksellers in the southern California area insufficient to
5 establish a reasonable inference of access) with Odegard, Inc. v.
6 Costikyan Classic Carpets, Inc., 963 F.Supp. 1328, 1336 (S.D.N.Y.
7 1997) (finding wide dissemination where copyrighted work appeared
8 in a showroom and a carpet show that defendants were known to
9 have visited) and Peel & Co., Inc. v. The Rug Market, 238 F.3d
10 391, 393 (5th Cir. 2001) (finding wide dissemination where 4000
11 rugs were sold within 8 years and samples of the rug appeared in
12 over 100 showrooms).

14 Harounian presents evidence that his gross sales between
15 1996 and 2001 consisted of: \$71,424 (1996); \$239,134 (1997);
16 \$284,253 (1998); \$457,601 (1999); \$372,298 (2000); and \$305,653
17 (2001). (Opposition at 14; Philips Decl., Exhibit D-36.)
18 Harounian states that at least seventy-five percent of
19 Plaintiffs' gross sales were derived from products bearing the
20 Vice logo and that merchandise bearing the Vice logo has sold
21 across the United States and has been widely disseminated.
22 (Phillips Decl., Harounian Depo. at 32, deposition page 123:5-11;
23 and at 40, deposition page 156:1-7.) Harounian's failure to
24 identify the number of units sold in these areas makes it
25 difficult to establish the extent of his dissemination. See
26 Rice, 330 F.3d at 1179 (17,000 copies of videos sold); Jason, 526
27 F.Supp. at 776 (200-700 copies of book); Peel & Co., 238 F.3d at
28 393 (400 rugs sold). Furthermore, Harounian's gross sales

1 amounts do not indicate whether his logo was distributed in areas
2 where Coca-Cola or Spring Partners employees were likely to
3 encounter them or how many units were distributed in those areas.
4 Therefore, this evidence is not sufficient to establish a genuine
5 issue regarding access.

6 **b. Advertising**

7 Harounian also attempts to show wide dissemination of his
8 logo by virtue of his advertising via flyers and a website.
9 (Phillips Decl., Harounian Depo. at 46, deposition page 181:1-5,
10 and 53-55.) Harounian claims he distributed flyers in three
11 ways: (1) from his store in Los Angeles; (2) through the mail;
12 and (3) at trade shows. (Id. at 54, deposition page 212:13-17.)
13 Harounian does not present evidence showing where his mailings
14 were sent, where the trade shows he attended were located, or why
15 it is likely that the flyers distributed in his Los Angeles store
16 were available to Coca-Cola or Spring Design's employees who were
17 on the east coast.

18
19 In addition to flyers, Harounian argues that his company's
20 website disseminated the Vice logo. (See Opposition at 14.)
21 Harounian does not point to any facts in the record to indicate
22 that the Vice logo appeared on the website at that time.
23 Accordingly, Harounian's references to his website do not show
24 Defendant's access to the Vice logo.

25 Harounian's evidence of sales and advertising is not
26 sufficient for a reasonable jury to find that Coca-Cola had
27 access to the Vice logo and therefore Harounian does not show
28 evidence of copying by showing access and substantial similarity.

1 Harounian does not argue that the marks are so strikingly similar
2 that access must be inferred under Baxter v. MCA, Inc., 812 F.2d
3 421, 424 n2 (9th Cir. 1987) and therefore the Court does not
4 consider this theory.² (See Opposition to Coca-Cola Motion 1 at
5 14-15 (mentioning strikingly similar doctrine and Baxter one time
6 but arguing substantial similarity in the same paragraph and the
7 following paragraph). Since Harounian has not presented any
8 evidence of copying, Coca-Cola's motion for summary judgment on
9 Harounian's claim for copyright infringement is GRANTED.

10
11 B. Coca-Cola's Second Motion (Unclean Hands & Laches)

12 Coca-Cola's second motion requests summary judgment on all
13 of Harounian's claims based on the affirmative defenses of
14 unclean hands and laches.

15 1. Unclean Hands

16 Unclean hands is an equitable affirmative defense. To
17 prevail on an unclean hands defense for trademark infringement, a
18 party seeking this defense must have acted fairly and without
19 fraud or deceit as to the controversy in issue. Levi Strauss &

20
21 ²Even if the Court found that the works were strikingly similar it would not necessarily
22 find sufficient evidence of copying. "[A]lthough it has frequently been written that strikingly
23 similarity *alone* can establish access, the decided cases suggest that this circumstance would be
24 most unusual. The plaintiff must always present sufficient evidence to support a reasonable
25 possibility of access because the jury cannot draw an inference of access based upon speculation
26 and conjecture alone." Selle v. Gibb, 741 F.2d 896, 901 (7th Cir. 1984). Since Harounian has
27 not provided evidence of access, it is unlikely that the Court could find that striking similarity of
28 the logos is sufficient evidence to show copying.

1 Co. v. Shilon & Co., 121 F.3d 1309, 1313 (9th Cir. 1997). To
2 establish an unclean hands affirmative defense, the defendant
3 must demonstrate that the plaintiff's conduct is inequitable and
4 that the conduct relates to the subject matter of its claims.
5 Id. Coca-Cola presents four grounds for its unclean hands
6 defense.

7 First, Coca-Cola alleges that Harounian's made fraudulent
8 misrepresentations in his federal trademark application. Fraud
9 in a pending application to register a trademark is not related
10 to the claim for trademark infringement and therefore not
11 sufficiently related to Harounian's claims to constitute an
12 unclean hands defense. McCarthy on Trademarks and Unfair
13 Competition § 31:59 (2004) citing Paramount Pictures Corp. v.
14 Dorney Park Coaster Co., 698 F. Supp. 1274, 1285-1286 (E.D. Pa.
15 1988).

17 Second, Coca-Cola alleges Harounian knowingly misused the
18 "R" trademark symbol with logos which were not federally
19 registered. (Coca-Cola Motion 2 at 13). Using the trademark
20 symbol while knowing that the mark has not been registered can
21 constitute unclean hands. See Urecal Corp. v. Masters, 413
22 F.Supp. 873, 875 (N.D. Ill. 1976). However, in this case,
23 Harounian had registered a trademark on the word Vice over a
24 design and used the trademark symbol on the design part only,
25 which was a portion of the trademark but not the whole. This act
26 does not constitute the level of deceit necessary for unclean
27 hands.
28

Third, Coca-Cola alleges Harounian violated California Labor

1 Codes by not having a license to manufacture and not keeping
2 detailed records of his employees. (Coca-Cola Motion 2, at 13-
3 16.) Harounian's alleged failures to comply with these state
4 laws are unconnected to his charges of trademark infringement,
5 and do not constitute an unclean hands defense in these claims.
6 See Powell v. Mobile Cab & Baggage Co., 263 Ala. 476, 480-81, 107
7 USPQ 229 (1955) (violation of law requiring the obtaining of a
8 license to do business did not constitute unclean hands); United
9 States Light & Heating Co. v. Untitled States Light & Heating
10 Co., 181 F.182, 187 (C.C.D.N.Y. 1910) (violation of law requiring
11 license and payment of state taxes did not constitute unclean
12 hands).
13

14 Finally, Coca-Cola argues that Harounian altered his mark
15 from the distressed to the streamlined look to more closely
16 resemble Coca-Cola's logo in an effort to bolster his
17 infringement case. (Coca-Cola Motion 2, at 16). Altering a mark
18 prior to litigation to look like a competitor's mark is a valid
19 basis for an unclean hands defense. See Kendall-Jackson Winery
20 v. E. & J. Gallo Winery, 150 F.3d 1042, 1053 (9th Cir. 1998)
21 (affirming district court's application of an equitable defense
22 based on such facts); Metro Publ'g v. San Jose Mercury News, 861
23 F. Supp. 870, 880 (N.D. Cal. 1994). Coca-Cola argues that
24 Harounian has no evidence that he used the streamlined version of
25 his logo that is very similar to the PowerAde logo before 2001,
26 when Coca-Cola started using its PowerAde logo, and therefore
27 Harounian altered his logo to match the PowerAde logo. (Coca-
28 Cola Motion 2, at 16-18).

Harounian presents the following evidence that he used the

1 streamlined logo before PowerAde began using the logo in 2001:
2 the deposition of Robert Lanfield stating that he has seen the
3 streamlined Vice logo on Harounian's hangtags since 1996 or 1997
4 (Smith Dec. Exhibit 16 at 120-22, deposition pages 106-108); the
5 deposition of Behrouz Beizai, an independent salesman, who
6 remembered seeing the streamlined Vice logo on Harounian's
7 hangtags since he started associating with Harounian in 1996 or
8 1997 (Smith Dec. Exhibit 14 at 112, deposition page 168); and
9 Harounian's father's testimony that Harounian used this logo as
10 early as 1996 (Smith Dec. Exhibit 12 at 98-99, deposition pages
11 67-68). These statements are sufficient to raise a genuine issue
12 of fact whether Harounian used the streamlined version of his
13 logo before Coca-Cola began using the PowerAde logo. Summary
14 judgment is DENIED based on this affirmative defense.
15

16 2. *Laches*

17 In a trademark action, a defendant can show the affirmative
18 defense of laches by showing that an unreasonable delay by
19 plaintiff in filing suit resulted in prejudice to Defendant.
20 Clamp Mfg. Co. v. Enco Mfg. Co., 870 F.2d 512, 515 (9th Cir.
21 1989). The Ninth Circuit has stated that in deciding whether
22 laches applies, the court should weigh the following factors: (1)
23 the strength of the plaintiff's trademark; (2) plaintiff's
24 diligence in enforcing the mark; (3) the harm to the plaintiff if
25 relief is denied; (4) whether defendant acted in good faith
26 ignorance of plaintiff's right; (5) competition between the
27 parties; and (6) the harm suffered by defendant because of the
28 plaintiff's delay. *Id.* Laches may be determined on summary
judgment. American Int'l Group v. American Int'l Bank, 926 F.2d

1 829, 831 (9th Cir. 1991). However, the application of laches
2 depends on a close evaluation of particular facts in a case and
3 therefore it is seldom susceptible to resolution by summary
4 judgment. Bratton v. Bethlehem Steel Corp., 649 F.2d 658, 666-67
5 (9th Cir. 1980).

6 **a. Strength of the mark**

7 "The stronger a mark - meaning the more likely it is to be
8 remembered and associated in the public mind with the mark's
9 owner - the greater the protection is accorded by the trademark
10 laws." Brookfield Comm. v. West Coast Ent., 174 F.3d 1036, 1058
11 (9th Cir. 1999). The strength of a mark is determined by its
12 placement on a continuum of marks from "generic", afforded no
13 protection; through "descriptive" or "suggestive" given moderate
14 protection; to "arbitrary or fanciful" awarded maximum
15 protection. E & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d
16 1280, 1291 (9th Cir. 1992).

18 Arbitrary or fanciful marks consist of words that have been
19 coined or invented for the sole purpose of functioning as
20 trademarks, or words that are in common usage but that, when
21 combined with the goods or services, neither suggest or describe
22 the goods or services. Goto.com Inc. v. Walt Disney Co., 202
23 F.3d 1199, 1207 (9th Cir. 2000). The Vice logo is an arbitrary
24 and fanciful mark because its common usage neither suggests or
25 describes clothing. Thus, it is a strong mark which affords it
26 great protection and this factor weighs against the laches
27 defense.
28

b. Diligence in enforcing mark

According to Coca-Cola, it began to use its logo on May 28,

1 2001.³ On August 29, 2001 Harounian's counsel notified Coca-Cola
2 that it was infringing on his client's mark. (Phillips Decl.
3 Exhibit D-21.) On November 12, 2003 Harounian filed this
4 lawsuit.

5 While laches and the statute of limitations are distinct
6 defenses, the Court considers the statute of limitations in
7 deciding laches. See Jarrow Formulas, Inc. v. Nutrition Now,
8 Inc. 304 F.3d 829, 836 (9th Cir. 2002). If the plaintiff filed
9 suit within the analogous limitations period, there is a strong
10 presumption that laches does not apply. Id. at 835. In
11 California, the statute of limitations bringing a claim under the
12 Lanham Act is three years. Karl Storz Endoscopy America, Inc. v.
13 Surgical Technologies, Inc., 285 F.3d 848, 857 (9th Cir. 2002)
14 (Lanham Act claims subject to Cal. Civ. Proc. Code § 338(d) three
15 year statute of limitations for fraud). Since Harounian brought
16 his suit within three years of the day Coca-Cola began using this
17 mark, Coca-Cola must rebut the presumption that laches does not
18 apply.
19

20 Coca-Cola's only evidence supporting its argument that
21 Harounian has been less than diligent in protecting his mark is
22 that at his deposition Harounian was unable to justify his delay
23 for filing. (See Coca-Cola Motion 2 at 19). This is
24 insufficient to overcome the presumption that laches does not
25

26
27 ³Coca-Cola points the court to evidence P-43 to support this statement, but does not
28 present an exhibit marked P-43. Plaintiffs' Reply and Objections to Defendant's Statement of
Uncontroverted Facts and Conclusions of Law disputes the fact, but does not offer contrary
evidence.

1 apply, and therefore this factor weighs against granting summary
2 judgment based on laches.

3 **c. Harm to the plaintiff if relief is denied**

4 Coca-Cola argues that because Harounian's average annual
5 income has remained constant since Coca-Cola began using the
6 PowerAde logo, Harounian cannot show any harm. (Coca-Cola motion
7 2, at 20). Harounian's invoices show that his average annual
8 revenue averaged over \$80,000 both before and after Coca-Cola
9 began using the PowerAde logo. (Buccino Decl. at ¶¶2-8, Exhibits
10 B1.)

11 Harounian presents evidence of harm due to consumer
12 confusion. (Opposition to Coca-Cola Motion 2 at 17-18).
13 Consumer confusion can show harm to a plaintiff. See Grupo
14 Gigante, SA v. Dallo & Co., Inc., 391 F.3d 1088, 1104 (9th Cir.
15 2004). The expert report of Dr. Warren Keegan states that Coca-
16 Cola's unauthorized use of the Vice logo has damaged Plaintiffs'
17 ability to market the Vice brand and negatively impacted current
18 and potential demand for Vice apparel products. (Smith Decl. 2
19 Exhibit 29 at 1823.)

20 The parties conflicting evidence creates a genuine issue as
21 to whether Harounian has been harmed.

22 **d. Whether defendant acted in good faith ignorance of**
23 **plaintiff's right**

24 As evidence of its good faith and ignorance of Harounian's
25 rights to the Vice logo, Coca-Cola presents the deposition
26 testimony of its director of sports and energy drinks, Lisa
27 Herrera, stating that individuals at Coca-Cola were not aware of
28 Harounian's logo prior to adopting the PowerAde logo. (Phillips

1 Decl., Herrera Deposition at 43-51.) Additionally, Coca-Cola
2 shows that it wrote to Harounian and explained why it did not
3 believe the material provided by Harounian was sufficient for him
4 to state a valid claim for infringement. Id. Exhibit T.

5 Harounian argues that Coca-Cola's continued use of the mark
6 after his August 29, 2001 letter put it on notice of his rights
7 and shows a lack of good faith. (Opposition to Coca-Cola Motion
8 2 at 20-21). The parties' conflicting arguments regarding the
9 evidence create a genuine issue as to whether Coca-Cola acted in
10 good faith.

11
12 **e. Competition between the parties**

13 Coca-Cola presents evidence that these parties are not in
14 competition. According to a brand manager for PowerAde, David
15 Preston, Coca-Cola uses the PowerAde logo on beverages, and it
16 uses it on non-beverage items including clothing that support the
17 beverage brand but it does use the mark to market a brand of
18 clothing. (Phillips Decl., Preston Deposition at 62-63, 65.)
19 Additionally, Preston states that the only direct sales that he
20 is aware of are at NHRA (car racing) events where PowerAde
21 merchandise is sold, but the purpose is to advertise the brand
22 and not sell clothing. Id. at 64-65.

23 The only evidence Harounian presents of competition between
24 the parties is related to consumer confusion. (See Opposition to
25 Coca-Cola Motion #2 at 21-22). This does not show that Coca-Cola
26 competes for business with Harounian as a retailer or wholesaler
27 in the Los Angeles garment district. See Phillips Decl.,
28 Harounian Depo. at 31 (Harounian sells to wholesalers and
retailers). This factor weighs in favor of the laches defense.

1 f. Harm suffered by defendant because of the plaintiff's
2 delay

3 Coca-Cola presents evidence that the delay in filing this
4 suit results has caused it evidentiary and economic prejudice.
5 Coca-Cola has been unable to acquire evidence after this delay
6 because Harounian stated he gave specimens of his Vice logo to
7 his former attorneys but when his attorneys' law office dissolved
8 during the delay in this suit, all files were destroyed.

9 (Phillips Decl. ¶ 47, Harounian Deposition at 58-59, deposition
10 p. 229-30.) Coca-Cola also shows economic prejudice. During the
11 time between when Harounian knew of Coca-Cola's actions and when
12 he filed his suit, Coca-Cola sold over \$275 million in 2002 and
13 \$300 million in 2003 in PowerAde beverages. (Phillips Decl.
14 Exhibit P-40.) These facts show prejudice to Coca-Cola, and this
15 favor weighs in favor of the laches defense.
16

17 Since genuine issues remain on many of the factors, Coca-
18 Cola's motion for summary judgment based on laches is DENIED.

19 C. Coca-Cola's Third Motion (Invalid Registration of
20 Trademark)

21 Coca-Cola's third motion requests summary judgment on
22 Harounian's state and federal trademark infringement claims and
23 unfair competition claims because Harounian cannot show the
24 existence of a valid and protectable trademark. Coca-Cola seeks
25 summary judgment on its affirmative defense for cancellation of
26 Harounian's federal trademark and on its counterclaim for
27 cancellation of Harounian's federal registration. First, Coca-
28 Cola argues Harounian's federal trademark was obtained by fraud.
Next, Coca-Cola argues Harounian has no common law trademark

1 rights because he has unlawfully distributed his goods. Finally,
2 Coca-Cola argues any common law trademark rights do not extend
3 beyond Southern California and Honolulu, Hawaii.

4 1. *Validity of Federal Trademark Registration*

5 A claim for trademark infringement requires (1) defendant
6 used a mark confusingly similar to (2) a valid protectable
7 trademark (3) owned by plaintiff. Brookfield Communications v.
8 West Coast Entertainment Corp., 174 F.3d 1036, 1046-47 (9th Cir.
9 1999). Federal registration of a trademark constitutes a
10 presumption of validity of the registered mark. Brookfield
11 Comminations Inc. v. West Coast Entertainment Corp., 174 F.3d
12 1036, 1047 (9th Cir. 1999); 15 U.S.C. § 1115(a). However, a mark
13 is subject to cancellation if it was obtained by fraud. Id. To
14 show fraud in trademark application, a party must show (a) false
15 representation regarding a material fact; (2) knowledge or belief
16 the representation was false; and (3) the intent to induce
17 reliance on the misrepresentation and damages resulting from the
18 reliance. Robi v. Five Platters, Inc., 918 F.2d 1439, 1444 (9th
19 Cir. 1990). A party seeking to cancel a trademark based on fraud
20 must prove the fraud by clear and convincing evidence. Metro
21 Traffic Control, Inc., v. Shadow Network Inc., 104 F.3d 336, 340
22 (Fed. Cir. 1997). Coca-Cola argues that Harounian's trademark
23 registration was based on two frauds: (1) Harounian has never
24 used his mark in connection with all the goods identified in his
25 application, and (2) Harounian was not using his mark in
26 interstate commerce as claimed in his application.
27
28

a. Failure to use mark in connection with goods stated
on trademark application constitutes fraud

1 Coca-Cola alleges that Harounian committed fraud on his
2 trademark application by falsely claiming that he used his logo
3 on certain goods. Fraud involves a willful withholding from the
4 PTO of material information or fact which, if disclosed to the
5 PTO by the applicant, would have resulted in disallowance of the
6 registration. Cerveceria India, Inc. v. Cerveceria
7 Centroamericana, S.A., 10 U.S.P.Q.2d 1064, 1066 (1989).

8 A misstatement of the goods upon which a party used a mark
9 is a material misrepresentation. Medinol Ltd. v. Neuro Vasx
10 Inc., 67 U.S.P.Q.2d 1205, 1208-10 (2003). In Medinol Ltd. v.
11 Neuro Vasx Inc. the U.S. Patent and Trademark Office Trademark
12 Trial and Appeal Board considered whether a party made a material
13 misrepresentation when it registered and signed a statement of
14 use for a stent that the parties later agreed had never been used
15 in commerce. Id.⁴ The Court found the misrepresentation was
16 material stating, "[t]here is no question that the statement of
17 use would not have been accepted nor would registration have
18 issued but for respondent's misrepresentation, since the PTO will
19 not issue a registration covering goods upon which the mark has
20 not been used." Id. at 1208, citing Trademark rule 2.88(c); TMEP
21 § 1109.03 (both requiring applicant to file registration after
22 use of each good in services).

23
24
25 ⁴Harounian seeks to distinguish this case on the basis that it involved an "intent to use"
26 trademark and the instant case does not and that intent to use trademarks have a different
27 standard. (Opposition to Coca-Cola's Motion 3 at 11). Houronian has not shown how this
28 distinction makes the standard for a material misrepresentation any different and any such
distinction does not apply in this case.

1 Furthermore, a misrepresentation of goods upon which a party
2 used its mark may carry the requisite knowledge and intent to
3 constitute fraud. Medinol found that when the facts show that
4 one knew or should have known that the statement of the marks use
5 on goods was not accurate, then the party had established the
6 requisite intent to commit fraud. Medinol, 67 U.S.P.Q 2d at
7 1210. The Court stated that when the identification of goods and
8 the statement of goods were not lengthy, highly technical, or
9 otherwise confusing the President/CEO who signed the document was
10 in a position to know the truth of the statement. Id. see also
11 Orient Express Trading Company Ltd. v. Federated Dept. Stores
12 Inc., 2 U.S.P.Q.2d 1106, 1118 (S.D.N.Y 1987) (finding misstatement
13 of use of mark to PTO constituted fraud because it was made with
14 the intention that the examiners rely on it in issuing a
15 registration).

17 **b. Coca-Cola presents clear and convincing evidence of**
18 **fraud**

19 Coca-Cola must show clear and convincing evidence of fraud.
20 Metro Traffic Control, Inc., v. Shadow Network Inc., 104 F.3d
21 336, 340 (Fed. Cir. 1997). Clear and convincing evidence is
22 evidence that shows something is highly probable. See Cruzan v.
23 Director, Missouri Dept. of Health, 497 U.S. 261, 282 (1990);
24 Murphy v. INS, 54 F.3d 605 610 (9th Cir. 1995). Coca-Cola
25 presents the following evidence of fraud: Harounian's trademark
26 application was filled out by hand and signed by Harrounian and
27 lists 50 clothing items on which he used the goods in commerce.
28 (Phillips Decl. Exhibit D-10). Coca-Cola's search of Harounian's
invoices found no references to 29 of the clothing items listed

1 in the trademark application including tuxedos, gowns, socks,
2 stockings, slacks, trousers, chemises, culottes, blousons, belts,
3 earmuffs, mufflers, scarves, pocket kerchiefs, bathrobes, and
4 bathing suits. (Buccino Decl. ¶5.) Additionally, Harounian's
5 father, Iraj Harounian, who worked with Harounian stated that he
6 could not recall the use of the mark on raincoats and that they
7 did not sell earmuffs in the store. (Phillips Decl., Iraj
8 Harounian Depo. at 53.) Behrouz "Bruce" Beizi, who worked as a
9 broker for Union Outlet, stated that he had not sold any earmuffs
10 and that the only item of the 50 listed in the application that
11 he recalled selling with the Vice logo was jackets. Id., Beizi
12 Depo. at 96, 109-111. Coca-Cola also points to Harounian's
13 failure to respond to its requests for samples or pictures as
14 evidence of use of the Vice logo on any item aside from a t-shirt
15 and a polo shirt. See id., Exhibits D22, D20.⁵ This evidence is
16 clear and convincing evidence of Harounian's fraud.
17

18 Since Coca-Cola has presented clear and convincing evidence
19 of fraud, Harounian must point to facts that show a genuine issue
20 as to his fraud to survive the motion for summary judgment.⁶ In
21

22 ⁵Harounian also refers to the 29 items on which he used his trademark throughout his
23 pleadings, and not 50 (See Harounian Motion at 5). This could be a drafter's error or an
24 indication that Harounian only used his logo on 29 of the 50 items listed.
25

26 ⁶Harounian also argues that the charges of fraud in
27 registration are time barred. (Opposition to Coca-Cola's motion
28 number 3 at 8). Harounian is incorrect. While a separate action
for fraud in registration under 15 U.S.C. § 1120 is subject to
the state statute of limitations for fraud, the affirmative

1 Harounian's opposition to this motion, he does not point the
2 court to specific facts that show that he used his mark on the
3 items listed in his trademark application. (Opposition to Coca-
4 Cola's motion #3 at 12-13). Instead, he refers the Court to
5 section III of his opposition and states that "there is
6 substantial evidence from the depositions of Plaintiff, Iraj
7 Harounian, Manoucher Harounian, Cindy Bae, Burce Beizai, Robert
8 Lanfield, and Jamie Aryeh and from the declarations of Payam
9 Mosbat and Issac Gubani that all create triable issues of
10 material fact concerning Harounian's use of his mark since its
11 registration." Id. In opposition to a motion for summary
12 judgment, a party must direct the court's attention to specific,
13 triable facts and generalized references to deposition and
14 declarations are insufficient. Nisso-Iwai American Corp. v.
15
16
17 defense of fraud in registration and the counterclaim for
18 cancellation of registration in this suit were brought under 15
19 U.S.C. § 1119. See Official Airline Guides, Inc. v. Goss, 6 F.3d
20 1385, 1395-96 (9th Cir. 1993); 1A Counterclaim. Section 1119
21 allows a court to determine the right to registration of the
22 trademark in an action involving trademark in the same way a
23 party would file for cancellation of a trademark to the Patent
24 and Trademark Office under 15 U.S.C. § 1064. Section 1064 states
25 that a mark is subject to cancellation at any time if it was
26 obtained by fraud and there is no statute of limitations on such
27 actions for cancellations. See Marshak v. Treadwell, 240 F.d
28 184, 193 (3rd Cir. 2001).

1 Kline, 845 F.2d 1300, 1307 (5th Cir. 1988). The Court has found
2 no such evidence.

3 Coca-Cola has established by clear and convincing evidence
4 that Harounian committed fraud in registering his trademark.
5 Harounian has not pointed the Court to any specific facts to
6 raise a genuine issue. The Court **GRANTS** summary judgment for
7 Coca-Cola on its affirmative defense based on cancellation of
8 Harounian's trademark for fraud in registration and on its cross-
9 claim for cancellation of Harounian's federal trademark.

10 2. Common Law Trademark

11 Even if a defendant succeeds in proving that a plaintiff's
12 registration was fraudulently obtained, the plaintiff's common
13 law rights in the mark continue as do federal rights in
14 unregistered marks. Far Out Productions, Inc. v. Oskar, 247 F.3d
15 986, 996 (9th Cir. 2001). Trademarks that are not acquired by
16 registration with the PTO or state can be acquired by first use
17 of the mark. 4 J.McCarthy, McCarthy on Trademarks and Unfair
18 Competition § 16.18. The exclusive right to use a trademark
19 belongs to the first who appropriates it and uses it in
20 connection with a particular business. Id. However, in order to
21 enforce trademark rights, the prior use must be lawful. United
22 Phosphorus, Ltd v. Midland Fumigant, Inc., 205 F.3d 1219, 1125-26
23 (10th Cir. 2000); Creagri, Inc. v. USANA Health Sciences, 2005 WL
24 181886 *3-4 (N.D. Cal.); Erva Pharmaceuticals, Inc. v. American
25 Cynamid Co., 755 F.Supp. 36, 39 (D.P.R. 1991); Kellog v. New
26 Generation Food, Inc., 6 U.S.P.Q.2d 2045, 2047 (Trademark Tr. &
27 App. Bd. 1988); .

District Courts and the Trademark Trial and Appeal Board

1 have held that for purposes of determining whether use of a mark
2 is unlawful under a particular regulatory act, a use is deemed
3 unlawful where the "issue of compliance has previously been
4 determined (with a finding of non-compliance) by a court or
5 government agency having competent jurisdiction under the statute
6 involved" or "where there has been a per se violation of a
7 statute regulating the sale of a party's goods" as such violation
8 is more than "de minimis." Creagri, Inc. v. USANA Health
9 Sciences, 2005 WL 181886 *4 (N.D. Cal. 2005); Erva
10 Pharmaceuticals, Inc. v. American Cyanamid Co., 755 F.Supp. 36,
11 40 (D.P.R. 1991); Kellog Co. v. New Generation Foods Inc., 6
12 U.S.P.Q.2d 2045, 2047 (TTAB 1988); General Mills v. Health Valley
13 Foods, 24 USPQ 2d 1270, 1273 (TTAB 1992).

15 Coca-Cola argues that Harounian's use of his mark was not
16 lawful because he is not licensed as a manufacturer as required
17 under the California Code of Regulations. (Coca-Cola Motion 3 at
18 16-17.) Coca-Cola presents no evidence that Harounian's failure
19 to comply with state regulations has been previously adjudicated;
20 therefore, to prevail, it must show that Harounian permitted a
21 per se violation of the regulations. California Code of
22 Regulations § 13630 requires that all persons engaged in
23 manufacturing as defined in Labor Code Section 2671(b) must
24 register with the Labor Commissioner as either a contractor or a
25 manufacturer. Cal. Code Reg. § 13630. Coca-Cola does not
26 present any admissible evidence that Harounian failed to comply
27 with this regulation.⁷ Summary judgment is DENIED on this
28

⁷Harounian objects to the Declaration of Lisa Buccino ¶11 as hearsay. The objection is

1 ground.

2 3. Nationwide use of Mark

3 Finally, Coca-Cola argues that Harounian's rights to his
4 trademark are limited to locations where he has significant
5 market penetration which only include Southern California and
6 Honolulu, Hawaii.⁸ In the absence of federal registration which
7 affords protection of a mark nationwide, parties can establish
8 the right to a trademark by being first to use their trademark in
9 a territory. Glow Indus. v. Lopez, 252 F. Supp. 2d 962, 983
10 (C.D.Cal 2002), citing 4 J. Thomas McCarthy, McCarthy on
11 Trademarks and Unfair Competition, § 26:13. Under common law,
12 the senior user of a mark can assert trademark rights in all
13 areas in which it has legally sufficient market penetration. Id.
14 The Court determines this market penetration by examining the
15

16
17
18 sustained.

19
20 Harounian objects to the Declaration of Lisa Buccino Exhibit B-5 for failure to
21 authenticate. The objection is sustained.

22 ⁸In response to this argument, Harounian first asserts that
23 his state trademark registration establishes his rights.
24 However, Harounian did not apply to register his trademark with
25 the state until October 14, 2004. (Phillips Decl. Exhibit O).
26 Since Coca-Cola began using the PowerAde logo in May of 2001 the
27 California trademark registration occurred after Coca-Cola began
28 using the mark and does not afford Harounian any rights upon
which Coca-Cola could infringe.

1 trademark user's volume of sales and growth trends, the number of
2 persons buying the trademarked product and the relation to the
3 number of potential purchasers, and the amount of advertising.
4 Glow Indus. v. Lopez, 252 F. Supp. 2d 962, 983 (C.D.Cal 2002),
5 citing Natural Footwear Ltd. v. Hart, Schaffner & Marx, 760 F.2d
6 1383, 1398-99 (3d Cir. 1985) and Adray v. Adry-Mart, Inc., 76
7 F.3d 984, 989 (9th Cir. 1995)

8 a. Volume of Sales and Growth Trends

9 The first factor in the analysis of market penetration is
10 the volume of sales and growth trends of the trademarked product.
11 Coca-Cola presents an analysis of Harounian's discernible⁹
12 invoices that shows only a small fraction of Harounian's sales
13 took place outside Southern California and Honolulu, Hawaii.
14 (See Buccino Decl. Exhibits B-1, B-2.¹⁰) For example, in 2000
15 Harounian sold \$111,853 of goods and his only sales outside of
16 Southern California and Honolulu, Hawaii were 1% of the total in
17 Texas, 1% of the total in New Jersey, and 2% of the total in
18 Arizona. Id. Exhibit B-1. Harounian's highest annual sales
19 outside of Southern California and Honolulu, Hawaii was \$7,377 in
20 New Jersey in 2002. Id. To show that Harounian does not have
21 growth trends, Coca-Cola points to its analysis that Harounian
22 has customers in Nevada, Florida, and Honolulu that have bought
23

25 ⁹Coca-Cola included information including addresses to its spreadsheet that was not
26 provided on the invoices, but was found on other invoices or other sources. (Buccino Decl. ¶4.)

27 ¹⁰Harounian objects to Exhibit B-1 because it is not under the B-1 tab. The Court located
28 this exhibit behind the B-2 tab and this objection is overruled. Harounian objects to exhibit B-2
as hearsay, lacking authentication, and demonstrative. These objections are **OVERRULED**.

1 from Harounian only one time or have not bought a second purchase
2 for several years. (Coca-Cola motion 2 at 21, Buccino Decl.
3 Exhibit B-2).

4 To counter this evidence Harounian first argues he is not
5 required to maintain invoices, but does not present any evidence
6 that the invoices analyzed by Coca-Cola are not an accurate
7 depiction of his actual sales. (See Opposition to Coca-Cola
8 Motion #3 at 20-21). Harounian presents his own testimony that
9 he sold to customers "all over. New York, Chicago, the - other
10 places. Miami." however Harounian could not "recall their names
11 right now." (Smith Second Decl. Exhibit 33 at 1972, deposition
12 page 156.) As evidence of the growth of his mark, Harounian
13 presents his tax returns showing that his gross sales rose from
14 \$71,424 in 1996 to \$457,601 in 1999 and \$372,298 in 2000.
15 (Phillips Decl. Exhibit D-36).

17 The most sales that Coca-Cola's unrebutted analysis of
18 Harounian's invoices shows that he has sold in any market other
19 than Southern California or Honolulu, Hawaii is \$7,377 in New
20 Jersey in 2002 and this small amount is not sufficient to show
21 market penetration. (Buccino Decl. Exhibit B-1.); Natural
22 Footwear Limited v. Hart, Schaffner & Marx, 760 F.2d 1383, 1400
23 (3rd Cir. 1985) (finding that in 1985 gross sales of clothing
24 under \$5,000 and under 50 customers was insufficient to show
25 market penetration). Furthermore, Harounian's other evidence
26 does not show sales or growth in any specific geographic region.
27 Harounian has presented no evidence to show his sales outside of
28 Southern California and Honolulu, Hawaii establish market
penetration and no triable issues remain on this factor.

1 b. Number of persons buying product in relation to
2 number of potential purchasers

3 The California State Board of Equalizations's Taxable Sales
4 in California Annual Report shows that Harounian was only 1 of
5 4,892 apparel stores located in Los Angeles, (Phillips Decl.
6 Exhibit B-7 at 22)¹¹ and Harounian's California sales of \$32,375
7 comprise only .003% of California's total market share in apparel
8 sales that year. (Buccino Decl. Exhibits B-1.) Harounian argues
9 that market share must be established by expert evidence, but
10 does not present any evidence to show his market share.
11 (Opposition to Motion #3 at 24). Harounian has the burden of
12 proof to establish his penetration in the market share and has
13 not presented any evidence relating to this issue. Natural
14 Footwear Ltd. v. Hart, Schaffner, & Marx, 760 F.2d at 1403;
15 Sweetarts v. Sunline, Inc., 436 F.2d 705, 707 (8th Cir. 1971);
16 see also 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair
17 Competition § 26.20 (discussing the senior users burden to prove
18 actual sales penetration into the contested area). Harounian has
19 failed to raise a genuine issue on this factor.

21 c. Advertising

22 To show that Harounian has not invested in advertising his
23 mark, Coca-Cola presents Harounian's federal income tax forms
24

25 ¹¹Harounian objects to this exhibit as hearsay and not properly authenticated. However,
26 the Court takes judicial notice of the report as this information is available on the California
27 Board of Equalization's website under the subject Taxable Sales Statistics,
28 www.boe.ca.gov/news/pdf.ts_a01.pdf; and as such not subject to reasonable dispute. F.R.E. §
201(b)(2) & (c).

1 that show he spent a total of \$697 on advertising over a six year
2 period from 1996-2001 (Phillips Decl. Exhibit D-36 (line 8 from
3 IRS Form 1040 Schedule C for years 1996-2001)); Harounian's
4 admission that he did not produce a catalog every year (Phillips
5 Decl., Harrounian at 55, deposition page 216); and one of
6 Harounian's sales representatives' statements that he could not
7 recall seeing advertising with the Vice logo (Phillips Decl.,
8 Beizai at 57-58).

9 As evidence of advertising, Harounian points to a
10 promotional flyer with the Vice logo that does not have a date on
11 it that Harounian testified he used in promotions in 2000.
12 (Phillips Decl. Exhibit D-18; Smith Decl. 2, Exhibit 33 at 1975,
13 deposition page 212). Additionally, Harounian has stated that he
14 used his advertising website, www.unionoutlet.com since 1999 or
15 2000. Id. at 1975, deposition page 212-13. Harounian's own
16 testimony along with a few promotional documents that do not
17 establish where they were used is not sufficient to allow a
18 reasonable jury to find that Harounian advertised outside of
19 Southern California and Honolulu, Hawaii.
20

21 Harounian has failed to present sufficient evidence on any
22 factor to raise a genuine issue in support of his market
23 penetration outside of Southern California and Honolulu, Hawaii.
24 Coca-Cola's motion is **GRANTED** and the Court grants summary
25 judgment to Coca-Cola that Harounian's common law trademark does
26 not extend outside of these two areas.
27

28 D. Harounian's Motion

Harounian's moves for summary judgment on Coca-Cola's claims
for cancellation of his state and federal trademarks and for

1 copyright infringement.

2 1. *Coca-Cola's claim for trademark cancellation*

3 a. **Federal Registration**

4 In section IV.C.1 the Court GRANTED summary judgment in
5 favor of Coca-Cola on its claim for federal trademark
6 cancellation and for the reasons stated in that section
7 Harounian's motion for summary judgment on this claim is DENIED.

8 b. **California Registration**

9 Harounian also argues that Coca-Cola cannot show evidence of
10 fraud in conjunction with his California trademark registration.
11 Coca-Cola argues that this mark is subject to cancellation
12 because Harounian misrepresented to the California Secretary of
13 State that the date he first used the logo was September 1, 1994.
14 The only fact that Coca-Cola specifically cites to in support of
15 its claim is that the only documentation Harounian has relied
16 upon to demonstrate alleged use of the 1994 logo is a business
17 card that he ordered in 1994. (See Opposition to Harounian's
18 Motion at 19-21.) Facts showing when Harounian created his
19 business card do not show that Harounian misrepresented himself
20 to the California Secretary of State regarding when he first used
21 his logo. Coca-Cola has not presented any specific facts to
22 support its claim and therefore Harounian's motion for summary
23 judgment on Coca-Cola's claim for cancellation of his state
24 trademark application is GRANTED.

25 2. *Coca-Cola's claim for copyright infringement*

26 Coca-Cola claims that the streamlined Vice logo infringes on
27 its copyright to the PowerAde logo. As stated above, to
28 establish copyright infringement a party must show (1) ownership

1 of a valid copyright, and (2) copying of constituent elements of
2 the work that are original. Feist Publ'ns, INC. v. Rural Tel.
3 Serv. Co., 499 U.S. 340, 361 (1991). Federal registration within
4 five years of the first use of a work creates a rebuttable
5 presumption of the first prong of the test. 17 U.S.C. § 410.
6 Absent direct proof of copying, plaintiff may show copying by
7 establishing that defendant (1) had access to the plaintiff's
8 work and (2) that the two works are substantially similar or by
9 showing that the works are so strikingly similar that they create
10 a presumption of copying. Rice v. Fox Broadcasting Company, 330
11 F.3d 1170, 1174 (9th Cir. 2003); Baxter v. MCA, Inc., 812 F.2d
12 421, 424 n2 (9th Cir. 1987). The defendant may rebut the
13 presumption of copying with proof of independent creation. Three
14 Boys v. Bolton, 212 F.3d 477, 486 (9th Cir. 2000).

16 Harounian's motion and reply argue that because Harounian
17 has evidence that he used the streamlined Vice logo before Coca-
18 Cola began using the PowerAde Logo in 2001 he cannot be liable
19 for infringing on its copyright. (Harounian Motion at 16-18;
20 Harounian Reply at 10-16.) The papers do not clearly state what
21 elements of the copyright claim Harounian challenges, and the
22 reply states that he challenges the validity of Coca-Cola's
23 copyright. Id. The Court considers the facts presented in the
24 context of the validity of Coca-Cola's copyright, evidence of
25 copying, and evidence of independent creation.

26 **a. Validity of Coca-Cola's copyright**

27 Coca-Cola presents a valid copyright registration which
28 lists the date of publication of May 28, 2001, and creates a
presumption that it owns a valid copyright. (Phillips Decl.

1 Exhibit H). Harounian challenges the validity of Coca-Cola's
2 copyright, but does not state on what basis. (Harounian Reply at
3 11 ("Harounian does dispute the validity of Coca-Cola's copyright
4 in the PowerAde Logo").) The Court considers Harounian's facts
5 as a challenge to the originality of Coca-Cola's copyright, which
6 is the pervading prerequisite to copyright protection. L.Batlin
7 & Son, Inc. v. Snyder, 536 F.2d 486, 489-490 (2d Cir. 486); Int-
8 Elect Eng'g Inc. v. Clinton Harley Corp., 27 U.S.P.Q.2d, 1631,
9 1633 (N.D. Cal. 1993) (both citing M. Nimmer, Nimmer on Copyright
10 § 2.01).

11 The only originality necessary to establish a copyright is
12 that the author created the work, not that the copyrighted
13 subject matter is novel or new. North Coast Indus. v. Jason
14 Maxwell Inc. 972 F.2d 1031, 1033 (9th Cir. 1992); Rings v. Lee,
15 441 F.2d 579581 (9th Cir. 1971). Harounian's evidence that he
16 used the mark before Coca-Cola does not challenge whether Coca-
17 Cola independently created the mark and therefore is not
18 sufficient to rebut the presumption that Coca-Cola's copyright is
19 valid.
20

21 **b. Evidence of copying**

22 Plaintiff may show copying by establishing that defendant
23 (1) had access to the plaintiff's work and (2) that the two works
24 are substantially similar in their protected elements. Rice v.
25 Fox Broadcasting Company, 330 F.3d 1170, 1174 (9th Cir. 2003).
26 The Court considers whether Coca-Cola has provided evidence of
27 these elements.
28

1. Access

Coca-Cola's evidence of Harounian's access to its logo are

1 that Harounian wrote Coca-Cola a letter regarding the logo in
2 August 2001 and that he acknowledged seeing the logo in 2001.
3 (Smith Decl. 1, Exhibit 23; Phillips Decl., Harounian Depo. at
4 57, deposition page 222:12-22). This is evidence is sufficient
5 to establish that Harounian had access to the PowerAde logo in
6 2001.

7 2. Substantial Similarity

8 To show that the marks are similar, Coca-Cola points to
9 Plaintiffs' claim that the marks are substantially similar.
10 Plaintiffs' expert report by Dr. Warren Keegan states "The
11 graphical element contained in the Vice & PowerAde logo is nearly
12 identical." (Smith Decl. 2, Exhibit 29, at 1823.) Additionally,
13 a visual comparison of the marks shows that they are similar.
14 This evidence is sufficient to establish similarity.

15 c. Independent Creation

16 Evidence of the above elements can create a presumption of
17 copying. Baxter v. MCA, Inc., 812 F.2d 421, 424 n2 (9th Cir.
18 1987). The defendant may rebut that presumption with proof of
19 independent creation. Three Boys v. Bolton, 212 F.3d 477, 486
20 (9th Cir. 2000). Harounian presents evidence of independent
21 creation by showing the depositions of many individuals that saw
22 him use the streamlined Vice logo before the first public use of
23 the PowerAde Logo in 2001. (Smith Decl., Exhibit 11 at 85,
24 deposition page 88; Exhibit 15 at 114-17, deposition pages 86-88,
25 deposition page 86-87, 94; Exhibit 16 at 120-122, deposition
26 pages 106-108; Exhibit 12 at 98-99, deposition pages 67-68;
27 Exhibit 18 at 135, 138-145.) Additionally, Jamie Aryeh, the
28 owner of a print shop, states that a copy of an invoice for a

1 business card showing the streamlined Vice logo has his
2 handwriting on it, and "must be ready by 9/14/94" is written on
3 the invoice. (Smith Decl. Exhibit 17, at 131 and 133, deposition
4 page 42 and Exhibit 57 attached to deposition.)

5 Coca-Cola provides contrary evidence by showing the expert
6 report of Tor Hovind that states that designing the streamlined
7 Vice logo required an experienced graphic designer and would
8 create a substantial paper trail, and pointing to Harounian's
9 failure to produce such a paper trail or designer. (Hovind Decl.
10 Exhibit A at 8). Additionally, Coca-Cola shows that evidence
11 regarding the business card is questionable for several reasons,
12 among which are that Aryeh only stated that the card could have
13 been created by him and not that he had created it. (Smith Decl.
14 Exhibit 17 at 131, deposition page 42:9). This evidence is
15 sufficient to create a genuine issue regarding Harounian's
16 independent creation of the mark and therefore the motion for
17 summary judgment on this claim is **DENIED**.

18
19 **v. CONCLUSION**

20 For the Reasons Stated in this Order:

21 Coca-Cola's first motion for summary judgment on Harounian's
22 copyright claim is **GRANTED**;

23 Coca-Cola's second motion for summary judgment on its
24 affirmative defenses of laches and unclean hands is **DENIED**;

25 Coca-Cola's third motion for summary judgment:

26 is **GRANTED** on the affirmative defense of cancellation
27 of federal trademark registration and **GRANTED** for Coca-
28 Cola on its claim against Harounian for cancellation of
federal trademark registration;

1 is DENIED on invalidation of Harounian's common law
2 trademark rights; and
3 is GRANTED in that Harounian's common law trademark
4 does not extend outside of Southern California and
5 Honolulu Hawaii.

6 Harounian's Motion for Summary Judgment is:

7 DENIED on Coca-Cola's claim for cancellation of federal
8 trademark registration;

9 GRANTED on Coca-Cola's claim for cancellation of
10 California trademark registration; and

11 DENIED on Coca-Cola's claim for copyright infringement.
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EXHIBIT 2

1 GIRARDI | KEESE
2 HOWARD B. MILLER (SBN 31392)
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5 Tel: (213) 977-0211
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7 HOWREY SIMON ARNOLD & WHITE, LLP
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12 Fax: (415) 848-4999

13 (Additional Counsel in signature block)

14 UNITED STATES DISTRICT COURT
15 CENTRAL DISTRICT OF CALIFORNIA

16 KAVEH HAROUNIAN, an individual, and) Case No.: CV 03-8219 LGB (SHx)
17 UNION OUTLET, INC., a California)
18 corporation;) Honorable Lourdes G. Baird

19 Plaintiffs,)

20 v.)

21 NOTICE OF SETTLEMENT

22 THE COCA-COLA COMPANY, a Delaware)
23 corporation; and DOES 1 through 50,)
24 inclusive,)


25 Defendants.)

26 And Related Counterclaims)
27)
28)


1 Plaintiffs KAVEH HAROUNIAN and UNION OUTLET, INC. ("Plaintiffs"), and
2 Defendant THE COCA-COLA COMPANY ("Coca-Cola") hereby notify the Court that they have
3 agreed on a Settlement in the Case. The essential terms of the settlement agreement have been
4 agreed upon, subject to preparation and execution of a final written settlement agreement, which
5 the parties have agreed to complete by April 27, 2005, by which date full dismissals will be filed.

6 The parties jointly and respectfully request that the Court not issue any final ruling on the
7 pending Motions for Summary Judgment, and stay all proceedings in the case pending the filing
8 of the dismissals.

9
10
11 Dated: April 14, 2005


Howard B. Miller
GIRARDI AND KEESE
Kamran Fattahi
LAW OFFICE OF KAMRAN FATTAHI

15 Attorneys for Plaintiffs,
16 Kaveh Harounian and Union Outlet, Inc.

17 
18 Robert N. Phillips
19 Don F. Livornese
20 HOWREY SIMON ARNOLD & WHITE, LLP

21 Attorneys for Defendant
22 The Coca-Cola Company
23
24
25
26
27
28

PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is 1126 Wilshire Boulevard, Los Angeles, California 90017.

On April 14, 2005, I served the foregoing document described as **NOTICE OF SETTLEMENT** on interested parties in this action by placing a true and correct copy thereof, enclosed in a sealed envelope addressed as follows:

Don F. Livornese
Howrey Simon Arnold & White
550 South Hope St., Suite 1100
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☒ (BY FACSIMILE)

☒ (BY MAIL)

As follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice, it would be deposited with U.S. Postal Service on that day with postage thereon fully prepaid at Los Angeles, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

☒ (FEDERAL) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

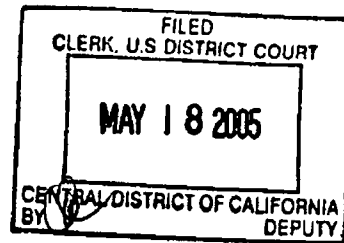
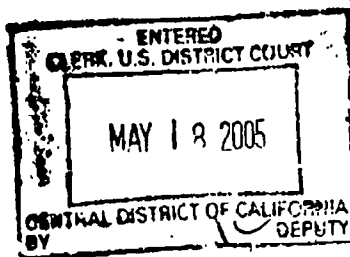
Executed on April 14, 2005 at Los Angeles, California.

Chris Aupiais

EXHIBIT 3

ORIGINAL

THIS CONSTITUTES NOTICE OF ENTRY
AS REQUIRED BY FRCP RULE 77(d).



UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Priority ☒
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JS-2/JS-3 ☐
Scan Only ☐

Kaveh Harounian,
Plaintiff,

v.

The Coca-Cola Co.,
Defendant.

CV 03-8219 LGB (SHx)

ORDER GRANTING IN PART AND
DENYING IN PART CROSS-
MOTIONS FOR SUMMARY
JUDGMENT

I. INTRODUCTION

Plaintiffs, Kaveh Harounian ("Harounian") and his Corporation Union Outlet, Inc. ("Union Outlet") allege that the logo for Coca-Cola Company's ("Coca-Cola") PowerAde beverage infringes on Harounian's intellectual property rights. Plaintiffs brought this suit alleging copyright infringement, trademark infringement, and related claims. Coca-Cola brought counter-claims for copyright infringement and for cancellation of state and federal trademark registrations against Harounian and Union Outlet. Coca-Cola now brings three separate motions for

1 summary judgment. The first is for summary judgment on
2 Plaintiffs' copyright infringement claim, the second is for
3 summary judgment on all claims based on Coca-Cola's affirmative
4 defenses of unclean hands and laches, and the third is for
5 summary judgment on Harounian's trademark claims. Harounian and
6 Union Outlet bring a motion for summary judgment on Coca-Cola's
7 claims to cancel Harounian's trademark registrations and
8 copyright infringement.

9 **II. FACTUAL AND PROCEDURAL BACKGROUND**

10 The following facts are not in dispute unless so noted.
11 Harounian owns and operates Union Outlet, a clothing store in the
12 Los Angeles garment district that has been in operation under
13 that name since 1996. Harounian incorporated Union Outlet in
14 January, 2004. Although Coca-Cola disputes this fact, Harounian
15 claims to have used a mark he refers to as the Vice logo on his
16 clothing in the United States since at least September 1, 1994.
17 The Vice logo includes the word Vice over a design. Harounian
18 has used the just the design portion of the logo and the design
19 portion with the word "Vice". (Smith Decl. 1, Exhibits 3-4 pages
20 62-65.) Harounian also uses the Vice logo in different versions,
21 referred to as the distressed version and the streamlined
22 version. See Id., Exhibit 4 at 63 (left version is distressed,
23 right version is streamlined or new version); Plaintiffs'
24 statement of Uncontroverted Facts, #19 (describing which version
25 is which).

26
27 On September 26, 1994 Harounian filed an application with
28

SCANNED

1 the United States Patent and Trademark Office ("PTO") for a
2 trademark on the distressed version of the Vice logo. Id.
3 Exhibit 5, p. 66. On November 24, 1998 the PTO registered this
4 mark under United States Registration No. 2,204,667 ("the '667
5 Registration"). Id. Exhibit 6. Harounian's application claimed
6 actual use of the Vice logo on 50 goods including shirts,
7 topcoats, raincoats, denim jackets, gowns, bathrobes, tuxedos,
8 blousons, stockings, earmuffs, and bathing suits in interstate
9 commerce. Id. Exhibit 5, p. 66.

10
11 Coca-Cola sells a beverage called PowerAde. In 2000 Coca-
12 Cola developed a strategy to relaunch PowerAde. (Phillips Dec.
13 Exhibit A.) As part of its re-launch it hired Spring Design
14 Partners ("Spring Design") to design a new label for the
15 beverage. Id. Preston Depo. 44. Coca-Cola selected to use
16 Spring Design's proposal of the P Icon as a logo for its drink
17 (hereinafter "PowerAde logo"). Id. Preston Depo. 44, 50. On
18 April 26, 2001 Coca-Cola filed an application for trademark
19 registration of its PowerAde logo with the PTO. Id. Exhibit N.

20 The design portion of the streamlined Vice logo and the
21 PowerAde Logo are nearly identical. (Smith Decl. 2, Ex 29, pp
22 1821-38.) In August 2001 Coca-Cola received a letter from
23 Harounian's counsel objecting to Coca-Cola's use of the PowerAde
24 Logo as infringing Harounian's property rights. (Phillips Decl.,
25 Exhibit D-21.) On November 12, 2003 Plaintiffs brought this
26 action.

27
28 Harounian filed a combined affidavit of continued use and

1 incontestability with the PTO for his trademark on November 24,
2 2003. (Smith Decl. 1, Exhibit 7.) The exhibit attached to this
3 affidavit shows the streamlined Vice logo. Id. at 75. Harounian
4 registered the streamlined Vice logo without the word Vice over
5 the logo as a trademark with the California Secretary of State on
6 October 24, 2003 (Smith Decl. Exhibit 8) and registered his
7 streamlined logo without the word Vice over it as a copyright
8 with the United States Copyright Office with an effective date of
9 November 20, 2003. Id. Exhibit 10. Coca-cola registered its
10 PowerAde logo with the United States Copyright Office with an
11 effective date of May 17, 2004. (Phillips Decl. Exhibit H.)

12
13 Plaintiffs filed the second amended complaint ("2A
14 Complaint") on October 15, 2004. The 2A Complaint alleges (1)
15 copyright infringement under 17 U.S.C. § 501; (2) trademark
16 infringement and false designation of origin under 15 U.S.C. §
17 1125(a); (3) trademark infringement under Cal. Bus. & Prof. Code
18 §§ 14320 and 14340; (4) unfair competition under Cal. Bus. &
19 Prof. Code §§ 17200 et seq.; (5) common law trademark
20 infringement and unfair competition; and (6) unjust enrichment
21 and constructive trust. On October 15, 2004 Coca-Cola filed a
22 first amended counterclaim ("1A Counterclaim") against Harounian
23 and Union Outlet. The 1A Counterclaim asserts affirmative
24 defenses including fraud, abandonment, unclean hands, laches, and
25 estoppel. The 1A Counterclaim also brings claims against
26 Harounian and Union Outlet for (1) cancellation of Harounian's
27 federal trademark for the mark "Vice and Vice Logo", (2)
28

1 cancellation of Harounian's California trademark Registration for
2 the "Vice Logo" under Cal. Bus. & Prof. Code § 14281; and (3)
3 Copyright infringement under 17 U.S.C. § 501 based on use of the
4 Vice Logo.

5 On February 14, 2005 Harounian and Union Outlet, Inc. filed
6 a motion for summary judgment on Coca-Cola's claims to cancel
7 Harounian's trademark registration under both state and federal
8 law. On the same day Coca-Cola filed three motions for summary
9 judgment. Coca-Cola's first motion argues that Plaintiffs cannot
10 succeed on claims for copyright infringement. Coca-Cola's second
11 motion argues it is entitled to summary judgment on all of
12 Harounian's claims on the affirmative defenses of unclean hands
13 and laches. Coca-Cola's third motion argues that Harounian's
14 trademark claims must fail because his trademarks are invalid and
15 that it must prevail on its claim to cancel Harounian's trademark
16 registration. All motions were fully briefed. The Court
17 considers these related motions in this Order.

19 **III. LEGAL STANDARD**

20 Rule 56 of the Federal Rules of Civil Procedure provides
21 that a court shall grant a motion for summary judgment if "the
22 pleadings, depositions, answers to interrogatories, and
23 admissions on file, together with the affidavits, if any, show
24 that there is no genuine issue as to any material fact and that
25 the moving party is entitled to judgment as a matter of law."
26 Fed. R. Civ. P. 56(c). Material facts are those that may affect
27 the outcome of the case. Anderson v. Liberty Lobby, Inc., 477
28

1 U.S. 242, 248 (1986). A dispute as to a material fact is genuine
2 if there is sufficient evidence for a reasonable jury to return a
3 verdict for the nonmoving party. Id.

4 The party moving for summary judgment bears the initial
5 burden of informing the district court of the basis of the
6 summary judgment motion and of demonstrating the absence of a
7 genuine issue of material fact for trial. Celotex Corp. v.
8 Catrett, 477 U.S. 317, 323 (1986); Katz v. Children's Hosp. of
9 Orange County, 28 F.3d 1520, 1534 (9th Cir. 1994). On an issue
10 for which the non-moving party has the burden of proof at trial,
11 the moving party need only point out "that there is an absence of
12 evidence to support the non-moving party's case." Celotex, 477
13 U.S. at 325.

15 Once this initial burden is satisfied, the non-moving party
16 must "go beyond the pleadings and by her own affidavits, or by
17 the depositions, answers to interrogatories, and admissions on
18 file, designate 'specific facts' showing that there is a genuine
19 issue for trial." Celotex, 477 U.S. at 324 (internal quotations
20 omitted); see also Nilsson, Robbins, Dalgarn, Berliner, Carson &
21 Wurst v. Louisiana Hydrolec, 854 F.2d 1538, 1544 (9th Cir. 1988).
22 Where the standard of proof at trial is preponderance of the
23 evidence, the non-moving party's evidence must be such that a
24 "fair-minded jury could return a verdict for the [non-moving
25 party] on the evidence presented." Anderson, 477 U.S. at 252.

26 The Court views all facts and draws all inferences therefrom
27 in the light most favorable to the non-moving party. United
28 States v. Diebold, Inc., 369 U.S. 654, 655(1962). The Court must

1 accept the plaintiff's view of all material disputed facts.
2 LaLonde v. County of Riverside, 204 F.3d 947, 954 (9th Cir.
3 2000). If, however, the nonmoving party's evidence is "merely
4 colorable" or "not significantly probative," summary judgment may
5 be granted. Anderson, 477 U.S. at 249-50.

6 IV. ANALYSIS

7 A. Coca-Cola's First Motion (Harounian's Claim for
8 Copyright Infringement)

9 In order to establish copyright infringement, two elements
10 must be shown: (1) ownership of a valid copyright; and (2)
11 copying of constituent elements of the work that are original.
12 Feist Publications, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340,
13 361 (1991). Plaintiff may show copying by establishing that
14 defendant (1) had access to the plaintiff's work and (2) that the
15 two works are substantially similar in their protected elements.
16 Rice v. Fox Broadcasting Company, 330 F.3d 1170, 1174 (9th Cir.
17 2003). Absent evidence of access, a "striking similarity"
18 between the works may give rise to a permissive inference of
19 copying. Baxter v. MCA, Inc., 812 F.2d 421, 424 n2 (9th Cir.
20 1987). The defendant may rebut the presumption of copying with
21 proof of independent creation. Three Boys v. Bolton, 212 F.3d
22 477, 486 (9th Cir. 2000).

23
24 For purposes of this motion for Summary Judgment as to its
25 claim for Copyright infringement only, Coca-Cola does not dispute
26 that Harounian owns a valid copyright and that the parties'
27 respective works are substantially similar.¹ (Coca-Cola Motion
28

¹Since Coca-Cola does not contest the validity of

1 1, at 9 n8.) Coca-Cola alleges that Harounian cannot show that
2 Coca-Cola had access to Harounian's work during the relevant time
3 and that he cannot show a genuine issue regarding the independent
4 creation of the PowerAde logo.

5 1. Access

6 To determine access, courts consider whether the person who
7 created the allegedly infringing work had a reasonable
8 opportunity to view the copyrighted work. Three Boys Music Corp.
9 v. Bolton, 212 F.3d 477, 482 (9th Cir. 2000). A bare possibility
10 will not suffice; neither will a finding of access based on
11 speculation or conjecture. Id. Circumstantial evidence of
12 reasonable access may be proved where the plaintiff's work has
13 been widely disseminated. Id.

14 Harounian designates two sets of facts to establish access
15 of its Vice logo: (1) the sales of merchandise carrying the Vice
16 logo between 1996 and 2001 were substantial and broad and (2)
17 Plaintiffs' advertising and website effectuated the wide
18 dissemination of its Vice logo. (Opposition to Coca-Cola Motion
19 1, at 14).

20 a. Sales

21 Whether a particular level of sales constitutes wide
22 dissemination is a fact specific determination. Compare Rice v.
23 Fox Broadcasting Co., 330 F.3d 1170, 1178 (9th Cir. 2003)

24
25
26 Harounian's federal copyright, the version of the Vice logo shown
27 in the copyright application (Phillips Decl. Exhibit I) which
28 shows the streamlined design without the word Vice above it, is
the mark at issue in this discussion.

1 (finding that 17,000 copies of a video sold within a span of
2 thirteen years cannot be considered widely disseminated) and
3 Jason v. Fonda, 526 F.Supp. 774, 776-777 (C.D. Cal. 1981)
4 (finding that 200-700 copies of a book available at various
5 booksellers in the southern California area insufficient to
6 establish a reasonable inference of access) with Odegard, Inc. v.
7 Costikyan Classic Carpets, Inc., 963 F.Supp. 1328, 1336 (S.D.N.Y.
8 1997) (finding wide dissemination where copyrighted work appeared
9 in a showroom and a carpet show that defendants were known to
10 have visited) and Peel & Co., Inc. v. The Rug Market, 238 F.3d
11 391, 393 (5th Cir. 2001) (finding wide dissemination where 4000
12 rugs were sold within 8 years and samples of the rug appeared in
13 over 100 showrooms).

15 Harounian presents evidence that his gross sales between
16 1996 and 2001 consisted of: \$71,424 (1996); \$239,134 (1997);
17 \$284,253 (1998); \$457,601 (1999); \$372,298 (2000); and \$305,653
18 (2001). (Opposition at 14; Philips Decl., Exhibit D-36.)
19 Harounian states that at least seventy-five percent of
20 Plaintiffs' gross sales were derived from products bearing the
21 Vice logo and that merchandise bearing the Vice logo has sold
22 across the United States and has been widely disseminated.
23 (Phillips Decl., Harounian Depo. at 32, deposition page 123:5-11;
24 and at 40, deposition page 156:1-7.) Harounian's failure to
25 identify the number of units sold in these areas makes it
26 difficult to establish the extent of his dissemination. See
27 Rice, 330 F.3d at 1179 (17,000 copies of videos sold); Jason, 526
28 F.Supp. at 776 (200-700 copies of book); Peel & Co., 238 F.3d at

1 393 (400 rugs sold). Furthermore, Harounian's gross sales
2 amounts do not indicate whether his logo was distributed in areas
3 where Coca-Cola or Spring Partners employees were likely to
4 encounter them or how many units were distributed in those areas.
5 Therefore, this evidence is not sufficient to establish a genuine
6 issue regarding access.

7 **b. Advertising**

8 Harounian also attempts to show wide dissemination of his
9 logo by virtue of his advertising via flyers and a website.
10 (Phillips Decl., Harounian Depo. at 46, deposition page 181:1-5,
11 and 53-55.) Harounian claims he distributed flyers in three
12 ways: (1) from his store in Los Angeles; (2) through the mail;
13 and (3) at trade shows. (Id. at 54, deposition page 212:13-17.)
14 Harounian does not present evidence showing where his mailings
15 were sent, where the trade shows he attended were located, or why
16 it is likely that the flyers distributed in his Los Angeles store
17 were available to Coca-Cola or Spring Design's employees who were
18 on the east coast.

19 In addition to flyers, Harounian argues that his company's
20 website disseminated the Vice logo. (See Opposition at 14.)
21 Harounian does not point to any facts in the record to indicate
22 that the Vice logo appeared on the website at that time.
23 Accordingly, Harounian's references to his website do not show
24 Defendant's access to the Vice logo.

25 Harounian's evidence of sales and advertising is not
26 sufficient for a reasonable jury to find that Coca-Cola had
27 access to the Vice logo and therefore Harounian does not show
28

1 evidence of copying by showing access and substantial similarity.
2 Harounian does not argue that the marks are so strikingly similar
3 that access must be inferred under Baxter v. MCA, Inc., 812 F.2d
4 421, 424 n2 (9th Cir. 1987) and therefore the Court does not
5 consider this theory.² (See Opposition to Coca-Cola Motion 1 at
6 14-15 (mentioning strikingly similar doctrine and Baxter one time
7 but arguing substantial similarity in the same paragraph and the
8 following paragraph). Since Harounian has not presented any
9 evidence of copying, Coca-Cola's motion for summary judgment on
10 Harounian's claim for copyright infringement is GRANTED.
11

12 B. Coca-Cola's Second Motion (Unclean Hands & Laches)

13 Coca-Cola's second motion requests summary judgment on all
14 of Harounian's claims based on the affirmative defenses of
15 unclean hands and laches.
16

17 ²Even if the Court found that the works were strikingly
18 similar it would not necessarily find sufficient evidence of
19 copying. "[A]lthough it has frequently been written that
20 strikingly similarity alone can establish access, the decided
21 cases suggest that this circumstance would be most unusual. The
22 plaintiff must always present sufficient evidence to support a
23 reasonable possibility of access because the jury cannot draw an
24 inference of access based upon speculation and conjecture alone."
25 Selle v. Gibb, 741 F.2d 896, 901 (7th Cir. 1984). Since
26 Harounian has not provided evidence of access, it is unlikely
27 that the Court could find that striking similarity of the logos
28 is sufficient evidence to show copying.

1 1. Unclean Hands

2 Unclean hands is an equitable affirmative defense. To
3 prevail on an unclean hands defense for trademark infringement,
4 party seeking this defense must have acted fairly and without
5 fraud or deceit as to the controversy in issue. Levi Strauss &
6 Co. v. Shilon & Co., 121 F.3d 1309, 1313 (9th Cir. 1997). To
7 establish an unclean hands affirmative defense, the defendant
8 must demonstrate that the plaintiff's conduct is inequitable and
9 that the conduct relates to the subject matter of its claims.
10 Id. Coca-Cola presents four grounds for its unclean hands
11 defense.
12

13 First, Coca-Cola alleges that Harounian's made fraudulent
14 misrepresentations in his federal trademark application. Fraud
15 in a pending application to register a trademark is not related
16 to the claim for trademark infringement and therefore not
17 sufficiently related to Harounian's claims to constitute an
18 unclean hands defense. McCarthy on Trademarks and Unfair
19 Competition § 31:59 (2004) citing Paramount Pictures Corp. v.
20 Dorney Park Coaster Co., 698 F. Supp. 1274, 1285-1286 (E.D. Pa.
21 1988).

22 Second, Coca-Cola alleges Harounian knowingly misused the
23 "R" trademark symbol with logos which were not federally
24 registered. (Coca-Cola Motion 2 at 13). Using the trademark
25 symbol while knowing that the mark has not been registered can
26 constitute unclean hands. See Urecal Corp. v. Masters, 413
27 F.Supp. 873, 875 (N.D. Ill. 1976). However, in this case,
28 Harounian had registered a trademark on the word Vice over a

1 design and used the trademark symbol on the design part only,
2 which was a portion of the trademark but not the whole. This
3 does not constitute the level of deceit necessary for unclean
4 hands. SCANNED

5 Third, Coca-Cola alleges Harounian violated California Labor
6 Codes by not having a license to manufacture and not keeping
7 detailed records of his employees. (Coca-Cola Motion 2, at 13-
8 16.) Harounian's alleged failures to comply with these state
9 laws are unconnected to his charges of trademark infringement,
10 and do not constitute an unclean hands defense in these claims.
11 See Powell v. Mobile Cab & Baggage Co., 263 Ala. 476, 480-81, 107
12 USPQ 229 (1955) (violation of law requiring the obtaining of a
13 license to do business did not constitute unclean hands); United
14 States Light & Heating Co. v. Untitled States Light & Heating
15 Co., 181 F.182, 187 (C.C.D.N.Y. 1910) (violation of law requiring
16 license and payment of state taxes did not constitute unclean
17 hands).
18

19 Finally, Coca-Cola argues that Harounian altered his mark
20 from the distressed to the streamlined look to more closely
21 resemble Coca-Cola's logo in an effort to bolster his
22 infringement case. (Coca-Cola Motion 2, at 16). Altering a mark
23 prior to litigation to look like a competitor's mark is a valid
24 basis for an unclean hands defense. See Kendall-Jackson Winery
25 v. E. & J. Gallo Winery, 150 F.3d 1042, 1053 (9th Cir. 1998)
26 (affirming district court's application of an equitable defense
27 based on such facts); Metro Publ'g v. San Jose Mercury News, 861
28 F. Supp. 870, 880 (N.D. Cal. 1994). Coca-Cola argues that
Harounian has no evidence that he used the streamlined version of

1 his logo that is very similar to the PowerAde logo before 2001
2 when Coca-Cola started using its PowerAde logo, and therefore
3 Harounian altered his logo to match the PowerAde logo. (Coca-
4 Cola Motion 2, at 16-18).

5 Harounian presents the following evidence that he used the
6 streamlined logo before PowerAde began using the logo in 2001:
7 the deposition of Robert Lanfield stating that he has seen the
8 streamlined Vice logo on Harounian's hangtags since 1996 or 1997
9 (Smith Dec. Exhibit 16 at 120-22, deposition pages 106-108); the
10 deposition of Behrouz Beizai, an independent salesman, who
11 remembered seeing the streamlined Vice logo on Harounian's
12 hangtags since he started associating with Harounian in 1996 or
13 1997 (Smith Dec. Exhibit 14 at 112, deposition page 168); and
14 Harounian's father's testimony that Harounian used this logo as
15 early as 1996 (Smith Dec. Exhibit 12 at 98-99, deposition pages
16 67-68). These statements are sufficient to raise a genuine issue
17 of fact whether Harounian used the streamlined version of his
18 logo before Coca-Cola began using the PowerAde logo. Summary
19 judgment is DENIED based on this affirmative defense.
20

21 2. *Laches*

22 In a trademark action, a defendant can show the affirmative
23 defense of laches by showing that an unreasonable delay by
24 plaintiff in filing suit resulted in prejudice to Defendant.
25 Clamp Mfg. Co. v. Enco Mfg. Co., 870 F.2d 512, 515 (9th Cir.
26 1989). The Ninth Circuit has stated that in deciding whether
27 laches applies, the court should weigh the following factors: (1)
28 the strength of the plaintiff's trademark; (2) plaintiff's
diligence in enforcing the mark; (3) the harm to the plaintiff if

1 relief is denied; (4) whether defendant acted in good faith
2 ignorance of plaintiff's right; (5) competition between the
3 parties; and (6) the harm suffered by defendant because of the
4 plaintiff's delay. Id. Laches may be determined on summary
5 judgment. American Int'l Group v. American Int'l Bank, 926 F.2d
6 829, 831 (9th Cir. 1991). However, the application of laches
7 depends on a close evaluation of particular facts in a case and
8 therefore it is seldom susceptible to resolution by summary
9 judgment. Bratton v. Bethlehem Steel Corp., 649 F.2d 658, 666-67
10 (9th Cir. 1980).

11
12 **a. Strength of the mark**

13 "The stronger a mark - meaning the more likely it is to be
14 remembered and associated in the public mind with the mark's
15 owner - the greater the protection is accorded by the trademark
16 laws." Brookfield Comm. v. West Coast Ent., 174 F.3d 1036, 1058
17 (9th Cir. 1999). The strength of a mark is determined by its
18 placement on a continuum of marks from "generic", afforded no
19 protection; through "descriptive" or "suggestive" given moderate
20 protection; to "arbitrary or fanciful" awarded maximum
21 protection. E & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d
22 1280, 1291 (9th Cir. 1992).

23 Arbitrary or fanciful marks consist of words that have been
24 coined or invented for the sole purpose of functioning as
25 trademarks, or words that are in common usage but that, when
26 combined with the goods or services, neither suggest or describe
27 the goods or services. Goto.com Inc. v. Walt Disney Co., 202
28 F.3d 1199, 1207 (9th Cir. 2000). The Vice logo is an arbitrary
and fanciful mark because its common usage neither suggests or

describes clothing. Thus, it is a strong mark which affords it great protection and this factor weighs against the laches defense.

b. Diligence in enforcing mark

According to Coca-Cola, it began to use its logo on May 28, 2001.³ On August 29, 2001 Harounian's counsel notified Coca-Cola that it was infringing on his client's mark. (Phillips Decl. Exhibit D-21.) On November 12, 2003 Harounian filed this lawsuit.

While laches and the statute of limitations are distinct defenses, the Court considers the statute of limitations in deciding laches. See Jarrow Formulas, Inc. v. Nutrition Now, Inc. 304 F.3d 829, 836 (9th Cir. 2002). If the plaintiff filed suit within the analogous limitations period, there is a strong presumption that laches does not apply. Id. at 835. In California, the statute of limitations bringing a claim under the Lanham Act is three years. Karl Storz Endoscopy America, Inc. v. Surgical Technologies, Inc., 285 F.3d 848, 857 (9th Cir. 2002) (Lanham Act claims subject to Cal. Civ. Proc. Code § 338(d) three year statute of limitations for fraud). Since Harounian brought his suit within three years of the day Coca-Cola began using this mark, Coca-Cola must rebut the presumption that laches does not

³Coca-Cola points the court to evidence P-43 to support this statement, but does not present an exhibit marked P-43. Plaintiffs' Reply and Objections to Defendant's Statement of Uncontroverted Facts and Conclusions of Law disputes the fact, but does not offer contrary evidence.

1 apply.

2 Coca-Cola's only evidence supporting its argument that
3 Harounian has been less than diligent in protecting his mark is
4 that at his deposition Harounian was unable to justify his delay
5 for filing. (See Coca-Cola Motion 2 at 19). This is
6 insufficient to overcome the presumption that laches does not
7 apply, and therefore this factor weighs against granting summary
8 judgment based on laches.

9
10 **c. Harm to the plaintiff if relief is denied**

11 Coca-Cola argues that because Harounian's average annual
12 income has remained constant since Coca-Cola began using the
13 PowerAde logo, Harounian cannot show any harm. (Coca-Cola motion
14 2, at 20). Harounian's invoices show that his average annual
15 revenue averaged over \$80,000 both before and after Coca-Cola
16 began using the PowerAde logo. (Buccino Decl. at ¶¶2-8, Exhibits
17 B1.)

18 Harounian presents evidence of harm due to consumer
19 confusion. (Opposition to Coca-Cola Motion 2 at 17-18).
20 Consumer confusion can show harm to a plaintiff. See Grupo
21 Gigante, SA v. Dallo & Co., Inc., 391 F.3d 1088, 1104 (9th Cir.
22 2004). The expert report of Dr. Warren Keegan states that Coca-
23 Cola's unauthorized use of the Vice logo has damaged Plaintiffs'
24 ability to market the Vice brand and negatively impacted current
25 and potential demand for Vice apparel products. (Smith Decl. 2
26 Exhibit 29 at 1823.)

27
28 The parties conflicting evidence creates a genuine issue as
to whether Harounian has been harmed.

d. Whether defendant acted in good faith ignorance of

1 **plaintiff's right**

2 As evidence of its good faith and ignorance of Harounian's
3 rights to the Vice logo, Coca-Cola presents the deposition
4 testimony of its director of sports and energy drinks, Lisa
5 Herrera, stating that individuals at Coca-Cola were not aware of
6 Harounian's logo prior to adopting the PowerAde logo. (Phillips
7 Decl., Herrera Deposition at 43-51.) Additionally, Coca-Cola
8 shows that it wrote to Harounian and explained why it did not
9 believe the material provided by Harounian was sufficient for him
10 to state a valid claim for infringement. Id. Exhibit T.

11
12 Harounian argues that Coca-Cola's continued use of the mark
13 after his August 29, 2001 letter put it on notice of his rights
14 and shows a lack of good faith. (Opposition to Coca-Cola Motion
15 2 at 20-21). The parties' conflicting arguments regarding the
16 evidence create a genuine issue as to whether Coca-Cola acted in
17 good faith.

18 **e. Competition between the parties**

19 Coca-Cola presents evidence that these parties are not in
20 competition. According to a brand manager for PowerAde, David
21 Preston, Coca-Cola uses the PowerAde logo on beverages, and it
22 uses it on non-beverage items including clothing that support the
23 beverage brand but it does use the mark to market a brand of
24 clothing. (Phillips Decl., Preston Deposition at 62-63, 65.)
25 Additionally, Preston states that the only direct sales that he
26 is aware of are at NHRA (car racing) events where PowerAde
27 merchandise is sold, but the purpose is to advertise the brand
28 and not sell clothing. Id. at 64-65.

 The only evidence Harounian presents of competition between

2 3
1 the parties is related to consumer confusion. (See Opposition to
2 Coca-Cola Motion #2 at 21-22). This does not show that Coca-Cola
3 competes for business with Harounian as a retailer or wholesaler
4 in the Los Angeles garment district. See Phillips Decl.,
5 Harounian Depo. at 31 (Harounian sells to wholesalers and
6 retailers). This factor weighs in favor of the laches defense.

7 **f. Harm suffered by defendant because of the plaintiff's**
8 **delay**

9 Coca-Cola presents evidence that the delay in filing this
10 suit results has caused it evidentiary and economic prejudice.
11 Coca-Cola has been unable to acquire evidence after this delay
12 because Harounian stated he gave specimens of his Vice logo to
13 his former attorneys but when his attorneys' law office dissolved
14 during the delay in this suit, all files were destroyed.

15 (Phillips Decl. ¶ 47, Harounian Deposition at 58-59, deposition
16 p. 229-30.) Coca-Cola also shows economic prejudice. During the
17 time between when Harounian knew of Coca-Cola's actions and when
18 he filed his suit, Coca-Cola sold over \$275 million in 2002 and
19 \$300 million in 2003 in PowerAde beverages. (Phillips Decl.
20 Exhibit P-40.) These facts show prejudice to Coca-Cola, and this
21 favor weighs in favor of the laches defense.

22 Since genuine issues remain on many of the factors, Coca-
23 Cola's motion for summary judgment based on laches is DENIED.

24 C. Coca-Cola's Third Motion (Invalid Registration of
25 Trademark)

26 Coca-Cola's third motion requests summary judgment on
27 Harounian's state and federal trademark infringement claims and
28 unfair competition claims because Harounian cannot show the

1 existence of a valid and protectable trademark. Coca-Cola seeks,
2 summary judgment on its affirmative defense for cancellation of
3 Harounian's federal trademark and on its counterclaim for
4 cancellation of Harounian's federal registration. First, Coca-
5 Cola argues Harounian's federal trademark was obtained by fraud.
6 Next, Coca-Cola argues Harounian has no common law trademark
7 rights because he has unlawfully distributed his goods. Finally,
8 Coca-Cola argues any common law trademark rights do not extend
9 beyond Southern California and Honolulu, Hawaii.

10
11 1. *Validity of Federal Trademark Registration*

12 A claim for trademark infringement requires (1) defendant
13 used a mark confusingly similar to (2) a valid protectable
14 trademark (3) owned by plaintiff. Brookfield Communications v.
15 West Coast Entertainment Corp., 174 F.3d 1036, 1046-47 (9th Cir.
16 1999). Federal registration of a trademark constitutes a
17 presumption of validity of the registered mark. Brookfield
18 Comminations Inc. v. West Coast Entertainment Corp., 174 F.3d
19 1036, 1047 (9th Cir. 1999); 15 U.S.C. § 1115(a). However, a mark
20 is subject to cancellation if it was obtained by fraud. Id. To
21 show fraud in trademark application, a party must show (a) false
22 representation regarding a material fact; (2) knowledge or belief
23 the representation was false; and (3) the intent to induce
24 reliance on the misrepresentation and damages resulting from the
25 reliance. Robi v. Five Platters, Inc., 918 F.2d 1439, 1444 (9th
26 Cir. 1990). A party seeking to cancel a trademark based on fraud
27 must prove the fraud by clear and convincing evidence. Metro
28 Traffic Control, Inc., v. Shadow Network Inc., 104 F.3d 336, 340
(Fed. Cir. 1997). Coca-Cola argues that Harounian's trademark

1 registration was based on two frauds: (1) Harounian has never
2 used his mark in connection with all the goods identified in his
3 application, and (2) Harounian was not using his mark in
4 interstate commerce as claimed in his application.

5 **a. Failure to use mark in connection with goods stated on**
6 **trademark application**

7 Coca-Cola alleges that Harounian committed fraud on his
8 trademark application by falsely claiming that he used his logo
9 on certain goods. Fraud involves a willful withholding from the
10 PTO of material information or fact which, if disclosed to the
11 PTO by the applicant, would have resulted in disallowance of the
12 registration. Cerveceria India, Inc. v. Cerveceria
13 Centroamericana, S.A., 10 U.S.P.Q.2d 1064, 1066 (1989).
14

15 A misstatement of the goods upon which a party used a mark
16 is a material misrepresentation. Medinol Ltd. v. Neuro Vasx
17 Inc., 67 U.S.P.Q.2d 1205, 1208-10 (2003). In Medinol Ltd. v.
18 Neuro Vasx Inc. the U.S. Patent and Trademark Office Trademark
19 Trial and Appeal Board considered whether a party made a material
20 misrepresentation when it registered and signed a statement of
21 use for a stent that the parties later agreed had never been used
22 in commerce. Id.⁴ The Court found the misrepresentation was
23

24
25 ⁴Harounian seeks to distinguish this case on the basis that
26 it involved an "intent to use" trademark and the instant case
27 does not and that intent to use trademarks have a different
28 standard. (Opposition to Coca-Cola's Motion 3 at 11). Houronian
has not shown how this distinction makes the standard for a
material misrepresentation any different and any such distinction

3 6
1 material stating, "[t]here is no question that the statement of
2 use would not have been accepted nor would registration have
3 issued but for respondent's misrepresentation, since the PTO will
4 not issue a registration covering goods upon which the mark has
5 not been used." Id. at 1208, citing Trademark rule 2.88(c); TMEP
6 § 1109.03 (both requiring applicant to file registration after
7 use of each good in services).

8
9 Furthermore, a misrepresentation of goods upon which a party
10 used its mark may carry the requisite knowledge and intent to
11 constitute fraud. Medinol found that when the facts show that
12 one knew or should have known that the statement of the mark's
13 use on goods was not accurate, then the party had established the
14 requisite intent to commit fraud. Medinol, 67 U.S.P.Q 2d at
15 1210. The Court stated that when the identification of goods and
16 the statement of goods were not lengthy, highly technical, or
17 otherwise confusing the President/CEO who signed the document was
18 in a position to know the truth of the statement. Id. see also
19 Orient Express Trading Company Ltd. v. Federated Dept. Stores
20 Inc., 2 U.S.P.Q.2d 1106, 1118 (S.D.N.Y 1987) (finding misstatement
21 of use of mark to PTO constituted fraud because it was made with
22 the intention that the examiners rely on it in issuing a
23 registration).

24
25 Coca-Cola must show clear and convincing evidence of fraud.
26 Metro Traffic Control, Inc., v. Shadow Network Inc., 104 F.3d
27 336, 340 (Fed. Cir. 1997). Clear and convincing evidence is
28 evidence that shows something is highly probable. See Cruzan v.
Director, Missouri Dept. of Health, 497 U.S. 261, 282 (1990);

does not apply in this case.

1 Murphy v. INS, 54 F.3d 605, 610 (9th Cir. 1995). Coca-Cola
2 presents the following evidence of fraud: Harounian's trademark
3 application was filled out by hand and signed by Harounian and
4 lists 50 clothing items on which he used the goods in commerce.
5 (Phillips Decl. Exhibit D-10). Coca-Cola's search of Harounian's
6 invoices found no references to 29 of the clothing items listed
7 in the trademark application including tuxedos, gowns, socks,
8 stockings, slacks, trousers, chemises, culottes, blousons, belts,
9 earmuffs, mufflers, scarves, pocket kerchiefs, bathrobes, and
10 bathing suits. (Buccino Decl. ¶5.) Additionally, Harounian's
11 father, Iraj Harounian, who worked with Harounian stated that he
12 could not recall the use of the mark on raincoats and that they
13 did not sell earmuffs in the store. (Phillips Decl., Iraj
14 Harounian Depo. at 53.) Behrouz "Bruce" Beizai, who worked as a
15 broker for Union Outlet, stated that he had not sold any earmuffs
16 and that the only item of the 50 listed in the application that
17 he recalled selling with the Vice logo was jackets. Id., Beizai
18 Depo. at 96, 109-111. Coca-Cola also points to Harounian's
19 failure to respond to its requests for samples or pictures as
20 evidence of use of the Vice logo on any item aside from a t-shirt
21 and a polo shirt. See id., Exhibits D22, D20.⁵ This evidence is
22 clear and convincing evidence of Harounian's fraud.
23

24 Since Coca-Cola has presented clear and convincing evidence
25

26
27 ⁵Harounian also refers to the 29 items on which he used his
28 trademark throughout his pleadings, and not 50 (See Harounian
Motion at 5). This could be a drafter's error or an indication
that Harounian only used his logo on 29 of the 50 items listed.

1 of fraud, Harounian must point to facts that show a genuine issue
2 as to his fraud to survive the motion for summary judgment.⁶
3 Harounian presents his own deposition transcript where he
4 responded "yes" to a question asking whether he sold all of the
5 items listed on his trademark application receipt with his
6 trademark on them as of September 1, 1994. (Smith Decl. Exhibit
7 11, page 86, deposition page 150:7 - 151:5). Harounian's
8 testimony is sufficient to raise a genuine issue whether he
9

10
11 ⁶Harounian also argues that the charges of fraud in
12 registration are time barred. (Opposition to Coca-Cola's motion
13 number 3 at 8). Harounian is incorrect. While a separate action
14 for fraud in registration under 15 U.S.C. § 1120 is subject to
15 the state statute of limitations for fraud, the affirmative
16 defense of fraud in registration and the counterclaim for
17 cancellation of registration in this suit were brought under 15
18 U.S.C. § 1119. See Official Airline Guides, Inc. v. Goss, 6 F.3d
19 1385, 1395-96 (9th Cir. 1993); 1A Counterclaim. Section 1119
20 allows a court to determine the right to registration of the
21 trademark in an action involving trademark in the same way a
22 party would file for cancellation of a trademark to the Patent
23 and Trademark Office under 15 U.S.C. § 1064. Section 1064 states
24 that a mark is subject to cancellation at any time if it was
25 obtained by fraud and there is no statute of limitations on such
26 actions for cancellations. See Marshak v. Treadwell, 240 F.d
27 184, 193 (3rd Cir. 2001).
28

1 committed fraud.

2 **b. Use of Mark**

3 Coca-Cola next argues that Harounian committed fraud because
4 he did not use his mark in commerce in the ways that he claims to
5 have on his trademark application. On Harounian's trademark
6 application in the section titled "Basis for Application"
7 Harounian checked, "Applicant is using the mark in commerce on or
8 in connection with the above identified goods/services. Three
9 specimens showing the mark as used in commerce are submitted with
10 this application." (Phillips Decl. Exhibit D-10.) On the blank
11 of the application to "Specify the type of commerce:" Harounian
12 filled in "(INTERSTATE) (HONG KONG) (ITALY) (PARIS) (LONDON)."
13 Id. Coca-Cola argues that Harounian's use of the logo shown on
14 the three specimens attached was not sufficient to be "use" and
15 that Harounian had not used the mark with the foreign places
16 claimed at the time of the application.

18 (1.) Token Use

19 Use in commerce on a trademark application must be a
20 bonafide use of the mark in the customary course of trade and
21 token usage does not suffice. 15 U.S.C. § 1127; Paramount
22 Pictures Corp. v. White, 31 U.S.P.Q.2d 1768, 1774 (TTAB 1994).
23 Coca-Cola asserts that Harounian made a material
24 misrepresentation to the PTO regarding his use of the specimens
25 he attached to his application. The three examples of
26 Harounian's use in commerce attached to his 1994 trademark
27 application show his mark with a triangle around it. (See
28 Phillips Decl. Exhibit D-10 page HAR 73, 76. However, in 1998
Harounian signed an agreement stating that he only made token use

1 of the mark with the triangle. Id. Exhibit D-14 ¶3. Coca-Cola
2 argues that this constitutes fraud because the use shown in the
3 application was admittedly token use, which is not sufficient use
4 to obtain a trademark. SCANNED

5 To show fraud, Coca-Cola must show that Harounian had
6 knowledge or belief that his representation was false. Robi v.
7 Five Platters Inc., 918 F.2d 1439, 1444 (9th Cir. 1990). Coca-
8 Cola does not present any reason that Harounian knew or should
9 have known that token use of a mark did not meet the statutory
10 definition of using the mark in commerce. Coca-Cola has not
11 presented clear and convincing evidence of this fraud.

12
13 (2.) Use in Interstate Commerce

14 Next, Coca-Cola argues that Harounian committed fraud
15 because he did not use his mark in interstate commerce with Hong
16 Kong, Italy, Paris, and London in 1994, as he claimed to have.
17 As evidence of this fraud, Coca-Cola shows that Harounian did not
18 produce any invoices for sales outside of California before
19 September, 2004. (Buccino Decl. Exhibit B-1). This one piece of
20 evidence is not clear and convincing evidence. Coca-Cola has not
21 met its burden to show this fraud.

22 In conclusion, the Court **DENIES** Coca-Cola's motion for
23 summary judgment on Harounian's federal trademark registration
24 because Harounian has raised a genuine issue whether he
25 fraudulently listed items on his trademark application, and Coca-
26 Cola has not shown sufficient evidence on its other allegations
27 of fraud on the PTO.

28
2. Common Law Trademark

Even if a defendant succeeds in proving that a plaintiff's

1 registration was fraudulently obtained, the plaintiff's common
2 law rights in the mark continue as do federal rights in
3 unregistered marks. Far Out Productions, Inc. v. Oskar, 247 F.3d
4 986, 996 (9th Cir. 2001). Trademarks that are not acquired by
5 registration with the PTO or state can be acquired by first use
6 of the mark. 4 J.McCarthy, McCarthy on Trademarks and Unfair
7 Competition § 16.18. The exclusive right to use a trademark
8 belongs to the first who appropriates it and uses it in
9 connection with a particular business. Id. However, in order to
10 enforce trademark rights, the prior use must be lawful. United
11 Phosphorus, Ltd v. Midland Fumigant, Inc., 205 F.3d 1219, 1125-26
12 (10th Cir. 2000); Creagri, Inc. v. USANA Health Sciences, 2005 WL
13 181886 *3-4 (N.D. Cal.); Erva Pharmaceuticals, Inc. v. American
14 Cynamid Co., 755 F.Supp. 36, 39 (D.P.R. 1991); Kellog v. New
15 Generation Food, Inc., 6 U.S.P.Q.2d 2045, 2047 (Trademark Tr. &
16 App. Bd. 1988); .

18 District Courts and the Trademark Trial and Appeal Board
19 have held that for purposes of determining whether use of a mark
20 is unlawful under a particular regulatory act, a use is deemed
21 unlawful where the "issue of compliance has previously been
22 determined (with a finding of non-compliance) by a court or
23 government agency having competent jurisdiction under the statute
24 involved" or "where there has been a per se violation of a
25 statute regulating the sale of a party's goods" as such violation
26 is more than "de minimis." Creagri, Inc. v. USANA Health
27 Sciences, 2005 WL 181886 *4 (N.D. Cal. 2005); Erva
28 Pharmaceuticals, Inc. v. American Cyanamid Co., 755 F.Supp. 36,
40 (D.P.R. 1991); Kellog Co. v. New Generation Foods Inc., 6

1 U.S.P.Q.2d 2045, 2047 (TTAB 1988); General Mills v. Health Valley
2 Foods, 24 USPQ 2d 1270, 1273 (TTAB 1992).

3 Coca-Cola argues that Harounian's use of his mark was not
4 lawful because he is not licensed as a manufacturer as required
5 under the California Code of Regulations. (Coca-Cola Motion 3 at
6 16-17.) Coca-Cola presents no evidence that Harounian's failure
7 to comply with state regulations has been previously adjudicated;
8 therefore, to prevail, it must show that Harounian permitted a
9 per se violation of the regulations. California Code of
10 Regulations § 13630 requires that all persons engaged in
11 manufacturing as defined in Labor Code Section 2671(b) must
12 register with the Labor Commissioner as either a contractor or a
13 manufacturer. Cal. Code Reg. § 13630. Coca-Cola does not
14 present any admissible evidence that Harounian failed to comply
15 with this regulation.⁷ Summary judgment is DENIED on this
16 ground.
17

18 3. *Nationwide use of Mark*

19 Finally, Coca-Cola argues that Harounian's common law rights
20 to his trademark are limited to locations where he has
21 significant market penetration which only include Southern
22
23

24
25 ⁷Harounian objects to the Declaration of Lisa Buccino ¶11 as
26 hearsay. The objection is sustained.

27 Harounian objects to the Declaration of Lisa Buccino Exhibit
28 B-5. The objection is sustained. Coca-Cola has not provided a
foundation for this evidence and the Exhibit does not indicate
what time frame the database searched covers.

1 California and Honolulu, Hawaii.⁸ In the absence of federal
2 registration which affords protection of a mark nationwide,
3 parties can establish the right to a trademark by being first to
4 use their trademark in a territory. Glow Indus. v. Lopez, 252 F.
5 Supp. 2d 962, 983 (C.D.Cal 2002), citing 4 J. Thomas McCarthy,
6 McCarthy on Trademarks and Unfair Competition, § 26:13. Under
7 common law, the senior user of a mark can assert trademark rights
8 in all areas in which it has legally sufficient market
9 penetration. Id. The Court determines this market penetration
10 by examining the trademark user's volume of sales and growth
11 trends, the number of persons buying the trademarked product and
12 the relation to the number of potential purchasers, and the
13 amount of advertising. Glow Indus. v. Lopez, 252 F. Supp. 2d
14 962, 983 (C.D.Cal 2002), citing Natural Footwear Ltd. v. Hart,
15 Schaffner & Marx, 760 F.2d 1383, 1398-99 (3d Cir. 1985) and Adray
16 v. Adry-Mart, Inc., 76 F.3d 984, 989 (9th Cir. 1995)

17
18 **a. Volume of Sales and Growth Trends**

19 The first factor in the analysis of market penetration is
20 the volume of sales and growth trends of the trademarked product.
21

22 ⁸In response to this argument, Harounian first asserts that
23 his state trademark registration establishes his rights.
24 However, Harounian did not apply to register his trademark with
25 the state until October 14, 2004. (Phillips Decl. Exhibit O).
26 Since Coca-Cola began using the PowerAde logo in May of 2001 the
27 California trademark registration occurred after Coca-Cola began
28 using the mark and does not afford Harounian any rights upon
which Coca-Cola could infringe.

1 Coca-Cola presents an analysis of Harounian's discernible⁹
2 invoices that shows only a small fraction of Harounian's sales
3 took place outside Southern California and Honolulu, Hawaii.
4 (See Buccino Decl. Exhibits B-1, B-2.¹⁰) For example, in 2000
5 Harounian sold \$111,853 of goods and his only sales outside of
6 Southern California and Honolulu, Hawaii were 1% of the total in
7 Texas, 1% of the total in New Jersey, and 2% of the total in
8 Arizona. Id. Exhibit B-1. Harounian's highest annual sales
9 outside of Southern California and Honolulu, Hawaii was \$7,377 in
10 New Jersey in 2002. Id. To show that Harounian does not have
11 growth trends, Coca-Cola points to its analysis that Harounian
12 has customers in Nevada, Florida, and Honolulu that have bought
13 from Harounian only one time or have not bought a second purchase
14 for several years. (Coca-Cola motion 2 at 21, Buccino Decl.
15 Exhibit B-2).

17 To counter this evidence Harounian first argues he is not
18 required to maintain invoices, but does not present any evidence
19 that the invoices analyzed by Coca-Cola are not an accurate
20 depiction of his actual sales. (See Opposition to Coca-Cola
21

22 _____
23 ⁹Coca-Cola included information including addresses to its
24 spreadsheet that was not provided on the invoices, but was found
25 on other invoices or other sources. (Buccino Decl. ¶4.)

26 ¹⁰Harounian objects to Exhibit B-1 because it is not under
27 the B-1 tab. The Court located this exhibit behind the B-2 tab
28 and this objection is overruled. Harounian objects to exhibit B-
2 as hearsay, lacking authentication, and demonstrative. These
objections are **OVERRULED**.

2 3
1 Motion #3 at 20-21). Harounian presents his own testimony that
2 he sold to customers "all over. New York, Chicago, the - other
3 places. Miami." however Harounian could not "recall their names
4 right now." (Smith Second Decl. Exhibit 33 at 1972, deposition
5 page 156.) As evidence of the growth of his mark, Harounian
6 presents his tax returns showing that his gross sales rose from
7 \$71,424 in 1996 to \$457,601 in 1999 and \$372,298 in 2000.
8 (Phillips Decl. Exhibit D-36).
9

10 The most sales that Coca-Cola's unrebutted analysis of
11 Harounian's invoices shows that he has sold in any market other
12 than Southern California or Honolulu, Hawaii is \$7,377 in New
13 Jersey in 2002 and this small amount is not sufficient to show
14 market penetration. (Buccino Decl. Exhibit B-1.); Natural
15 Footwear Limited v. Hart, Schaffner & Marx, 760 F.2d 1383, 1400
16 (3rd Cir. 1985) (finding that in 1985 gross sales of clothing
17 under \$5,000 and under 50 customers was insufficient to show
18 market penetration). Furthermore, Harounian's other evidence
19 does not show sales or growth in any specific geographic region.
20 Harounian has presented no evidence to show his sales outside of
21 Southern California and Honolulu, Hawaii establish market
22 penetration and no triable issues remain on this factor.

23 **b. Number of persons buying product in relation to**
24 **number of potential purchasers**
25

26 The California State Board of Equalizations's Taxable Sales
27 in California Annual Report shows that Harounian was only 1 of
28 4,892 apparel stores located in Los Angeles, (Phillips Decl.
Exhibit B-7 at 22)¹¹ and Harounian's California sales of \$32,375

¹¹Harounian objects to this exhibit as hearsay and not

1 comprise only .003% of California's total market share in apparel
2 sales that year. (Buccino Decl. Exhibits B-1.) Harounian argues
3 that market share must be established by expert evidence, but
4 does not present any evidence to show his market share.

5 (Opposition to Motion #3 at 24). Harounian has the burden of
6 proof to establish his penetration in the market share and has
7 not presented any evidence relating to this issue. Natural
8 Footwear Ltd. v. Hart, Schaffner, & Marx, 760 F.2d at 1403;
9 Sweetarts v. Sunline, Inc., 436 F.2d 705, 707 (8th Cir. 1971);
10 see also 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair
11 Competition § 26.20 (discussing the senior users burden to prove
12 actual sales penetration into the contested area). Harounian has
13 failed to raise a genuine issue on this factor.

14
15 **c. Advertising**

16 To show that Harounian has not invested in advertising his
17 mark, Coca-Cola presents Harounian's federal income tax forms
18 that show he spent a total of \$697 on advertising over a six year
19 period from 1996-2001 (Phillips Decl. Exhibit D-36 (line 8 from
20 IRS Form 1040 Schedule C for years 1996-2001)); Harounian's
21 admission that he did not produce a catalog every year (Phillips
22 Decl., Harrounian at 55, deposition page 216); and one of
23 Harounian's sales representatives' statements that he could not
24

25
26 properly authenticated. However, the Court takes judicial notice
27 of the report as this information is available on the California
28 Board of Equalization's website under the subject Taxable Sales
Statistics, www.boe.ca.gov.news/pdf.ts_a01.pdf; and as such not
subject to reasonable dispute. F.R.E. § 201(b)(2) & (c).

1 recall seeing advertising with the Vice logo (Phillips Decl.,
2 Beizai at 57-58).

3 As evidence of advertising, Harounian points to a
4 promotional flyer with the Vice logo that does not have a date on
5 it that Harounian testified he used in promotions in 2000.
6 (Phillips Decl. Exhibit D-18; Smith Decl. 2, Exhibit 33 at 1975,
7 deposition page 212). Additionally, Harounian has stated that he
8 used his advertising website, www.unionoutlet.com since 1999 or
9 2000. Id. at 1975, deposition page 212-13. Harounian's own
10 testimony along with a few promotional documents that do not
11 establish where they were used is not sufficient to allow a
12 reasonable jury to find that Harounian advertised outside of
13 Southern California and Honolulu, Hawaii.
14

15 Harounian has failed to present sufficient evidence on any
16 factor to raise a genuine issue in support of his market
17 penetration outside of Southern California and Honolulu, Hawaii.
18 Coca-Cola's motion is **GRANTED** and the Court grants summary
19 judgment to Coca-Cola that Harounian's common law trademark does
20 not extend outside of these two areas.

21 D. Harounian's Motion

22 Harounian's moves for summary judgment on Coca-Cola's claims
23 for cancellation of his state and federal trademarks and for
24 copyright infringement.

25 1. Coca-Cola's claim for trademark cancellation

26 a. Federal Registration

27 In section IV.C.1 the Court denied Coca-Cola's motion for
28 summary judgment on its affirmative defense for cancellation of
Harounian's federal trademark registration because genuine issues

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1 remain on this issue. Based on the evidence discussed in that
2 section, a genuine issue also exists on Coca-Cola's claim against
3 Harounian for cancellation of federal trademark registration and
4 Harounian's motion for summary judgment on this claim is **DENIED**.

5 **b. California Registration**

6 Harounian also argues that Coca-Cola cannot show evidence of
7 fraud in conjunction with his California trademark registration.
8 To show fraud a party must point to clear and convincing
9 evidence. Metro Traffic Control, Inc. v. Shadow Network, Inc.,
10 104 F.3d 336, 340 (Fed. Cir. 1997). Coca-Cola alleges that this
11 mark is subject to cancellation because Harounian misrepresented
12 to the California Secretary of State that the date he first used
13 the logo was September 1, 1994. Coca-Cola's evidence to support
14 its position is the expert report of Tor Hovind that states that
15 designing the streamlined Vice logo required an experienced
16 graphic designer and would create a substantial paper trail, and
17 that Harounian failed to produce such a paper trail or designer.
18 (Hovind Decl. Exhibit A at 8.) Additionally, Coca-Cola shows
19 evidence that a business card Harounian alleges he made in 1994
20 is questionable. (Smith Decl. Exhibit 17 at 131, deposition page
21 42:9). This is not clear and convincing evidence that Harounian
22 misrepresented himself to the California Secretary of State
23 regarding when he first used his logo. Coca-Cola failed to raise
24 a genuine issue on this claim and Harounian's motion for summary
25 judgment on Coca-Cola's claim for cancellation of his state
26 trademark application is **GRANTED**.
27
28

2. Coca-Cola's claim for copyright infringement

Coca-Cola claims that the streamlined Vice logo infringes on

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1 its copyright to the PowerAde logo. As stated above, to
2 establish copyright infringement a party must show (1) ownership
3 of a valid copyright, and (2) copying of constituent elements of
4 the work that are original. Feist Publ'ns, INC. v. Rural Tel.
5 Serv. Co., 499 U.S. 340, 361 (1991). Federal registration within
6 five years of the first use of a work creates a rebuttable
7 presumption of the first prong of the test. 17 U.S.C. § 410.
8 Absent direct proof of copying, plaintiff may show copying by
9 establishing that defendant (1) had access to the plaintiff's
10 work and (2) that the two works are substantially similar or by
11 showing that the works are so strikingly similar that they create
12 a presumption of copying. Rice v. Fox Broadcasting Company, 330
13 F.3d 1170, 1174 (9th Cir. 2003); Baxter v. MCA, Inc., 812 F.2d
14 421, 424 n2 (9th Cir. 1987). The defendant may rebut the
15 presumption of copying with proof of independent creation. Three
16 Boys v. Bolton, 212 F.3d 477, 486 (9th Cir. 2000).

18 Harounian's motion and reply argue that because Harounian
19 has evidence that he used the streamlined Vice logo before Coca-
20 Cola began using the PowerAde Logo in 2001 he cannot be liable
21 for infringing on its copyright. (Harounian Motion at 16-18;
22 Harounian Reply at 10-16.) The papers do not clearly state what
23 elements of the copyright claim Harounian challenges, and the
24 reply states that he challenges the validity of Coca-Cola's
25 copyright. Id. The Court considers the facts presented in the
26 context of the validity of Coca-Cola's copyright, evidence of
27 copying, and evidence of independent creation.

28
a. Validity of Coca-Cola's copyright

Coca-Cola presents a valid copyright registration which

1 lists the date of publication of May 28, 2001, and creates a
2 presumption that it owns a valid copyright. (Phillips Decl.
3 Exhibit H). Harounian challenges the validity of Coca-Cola's
4 copyright, but does not state on what basis. (Harounian Reply at
5 11 ("Harounian does dispute the validity of Coca-Cola's copyright
6 in the PowerAde Logo").) The Court considers Harounian's facts
7 as a challenge to the originality of Coca-Cola's copyright, which
8 is the pervading prerequisite to copyright protection. L.Batlin
9 & Son, Inc. v. Snyder, 536 F.2d 486, 489-490 (2d Cir. 486); Int-
10 Elect Eng'g Inc. v. Clinton Harley Corp., 27 U.S.P.Q.2d, 1631,
11 1633 (N.D. Cal. 1993) (both citing M. Nimmer, Nimmer on Copyright
12 § 2.01).

14 The only originality necessary to establish a copyright is
15 that the author created the work, not that the copyrighted
16 subject matter is novel or new. North Coast Indus. v. Jason
17 Maxwell Inc. 972 F.2d 1031, 1033 (9th Cir. 1992); Rings v. Lee,
18 441 F.2d 579581 (9th Cir. 1971). Harounian's evidence that he
19 used the mark before Coca-Cola does not challenge whether Coca-
20 Cola independently created the mark and therefore is not
21 sufficient to rebut the presumption that Coca-Cola's copyright is
22 valid.

23 **b. Evidence of copying**

24 Plaintiff may show copying by establishing that defendant
25 (1) had access to the plaintiff's work and (2) that the two works
26 are substantially similar in their protected elements. Rice v.
27 Fox Broadcasting Company, 330 F.3d 1170, 1174 (9th Cir. 2003).
28 The Court considers whether Coca-Cola has provided evidence of
these elements.

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1 (1.) Access

2 Coca-Cola's evidence of Harounian's access to its logo are
3 that Harounian wrote Coca-Cola a letter regarding the logo in
4 August 2001 and that he acknowledged seeing the logo in 2001.
5 (Smith Decl. 1, Exhibit 23; Phillips Decl., Harounian Depo. at
6 57, deposition page 222:12-22). This is evidence is sufficient
7 to establish that Harounian had access to the PowerAde logo in
8 2001.

9 (2.) Substantial Similarity

10 To show that the marks are similar, Coca-Cola points to
11 Plaintiffs' claim that the marks are substantially similar.
12 Plaintiffs' expert report by Dr. Warren Keegan states "The
13 graphical element contained in the Vice & PowerAde logo is nearly
14 identical." (Smith Decl. 2, Exhibit 29, at 1823.) Additionally,
15 a visual comparison of the marks shows that they are similar.
16 This evidence is sufficient to establish similarity.

17 c. Independent Creation

18 Evidence of the above elements can create a presumption of
19 copying. Baxter v. MCA, Inc., 812 F.2d 421, 424 n2 (9th Cir.
20 1987). The defendant may rebut that presumption with proof of
21 independent creation. Three Boys v. Bolton, 212 F.3d 477, 486
22 (9th Cir. 2000). Harounian presents evidence of independent
23 creation by showing the depositions of many individuals that saw
24 him use the streamlined Vice logo before the first public use of
25 the PowerAde Logo in 2001. (Smith Decl., Exhibit 11 at 85,
26 deposition page 88; Exhibit 15 at 114-17, deposition pages 86-88,
27 deposition page 86-87, 94; Exhibit 16 at 120-122, deposition
28 pages 106-108; Exhibit 12 at 98-99, deposition pages 67-68;

1 Exhibit 18 at 135, 138-145.) Additionally, Jamie Aryeh, the
2 owner of a print shop, states that a copy of an invoice for a
3 business card showing the streamlined Vice logo has his
4 handwriting on it, and "must be ready by 9/14/94" is written on
5 the invoice. (Smith Decl. Exhibit 17, at 131 and 133, deposition
6 page 42 and Exhibit 57 attached to deposition.)

7 Coca-Cola provides contrary evidence by showing the expert
8 report of Tor Hovind that states that designing the streamlined
9 Vice logo required an experienced graphic designer and would
10 create a substantial paper trail, and pointing to Harounian's
11 failure to produce such a paper trail or designer. (Hovind Decl.
12 Exhibit A at 8). Additionally, Coca-Cola shows that evidence
13 regarding the business card is questionable for several reasons,
14 among which are that Aryeh only stated that the card could have
15 been created by him and not that he had created it. (Smith Decl.
16 Exhibit 17 at 131, deposition page 42:9). This evidence is
17 sufficient to create a genuine issue regarding Harounian's
18 independent creation of the mark and therefore the motion for
19 summary judgment on this claim is **DENIED**.

20
21 **V. CONCLUSION**

22 For the Reasons Stated in this Order:

23 Coca-Cola's first motion for summary judgment on Harounian's
24 copyright claim is **GRANTED**;

25 Coca-Cola's second motion for summary judgment on its
26 affirmative defenses of laches and unclean hands is **DENIED**;

27 Coca-Cola's third motion for summary judgment:
28

is **DENIED** on the affirmative defense of cancellation of
federal trademark registration;

1 is DENIED on invalidation of Harounian's common law
2 trademark rights; and
3 is GRANTED in that Harounian's common law trademark
4 does not extend outside of Southern California and
5 Honolulu Hawaii.

6 Harounian's Motion for Summary Judgment is:


7 DENIED on Coca-Cola's claim for cancellation of federal
8 trademark registration;

9 GRANTED on Coca-Cola's claim for cancellation of
10 California trademark registration; and
11

12 DENIED on Coca-Cola's claim for copyright infringement.
13
14

15 IT IS SO ORDERED.

16
17 Dated: April 14, 2005

18 
19 LOURDES G. BAIRD
20 United States District Judge
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